



BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

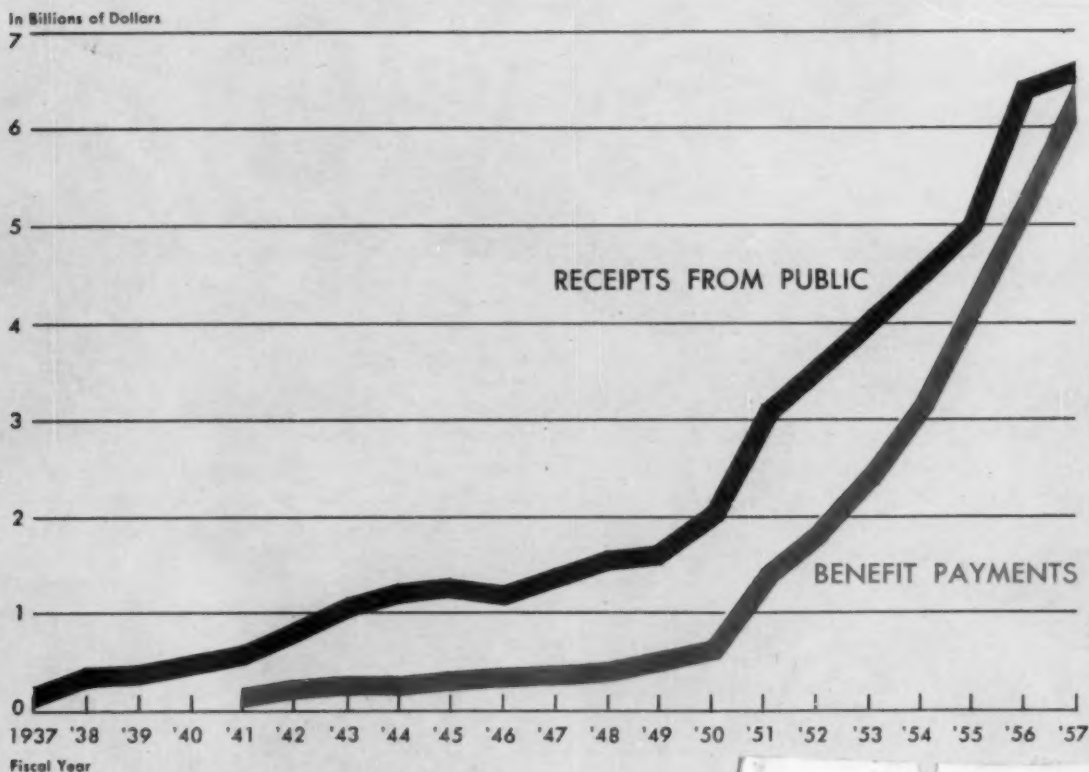
TWENTY-FIVE CENTS

AUG. 3, 1957

The New Economic Meaning of Social Security...

(Government)

... as benefits overtake tax revenue



E B POWER
UNIVERSITY MICROFILMS
313 N 1 ST
ANN ARBOR MICH 48106



New super-finish *with frustrations built-in!*

TEMPER tantrums go unrewarded when a kid bangs on *this* table. You can whack it so hard that the wood dents, but the *finish* won't crack.

The reason? Epon[®] resin, developed by Shell Chemical for superior varnishes, paints and adhesives. The unique chemical bond of Epon resin is so adhesive and tough that it "locks into" the surface of the object being coated. Epon resin finishes can be applied to wood, metal and

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Shell Chemical makes ten different grades of Epon resin, which—in addition to surface coatings—find industrial use in potting, casting, structural laminating, as adhesives, and in plastic tooling applications.



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Chemical Partner of Industry and Agriculture

NEW YORK

GENERAL BUSINESS

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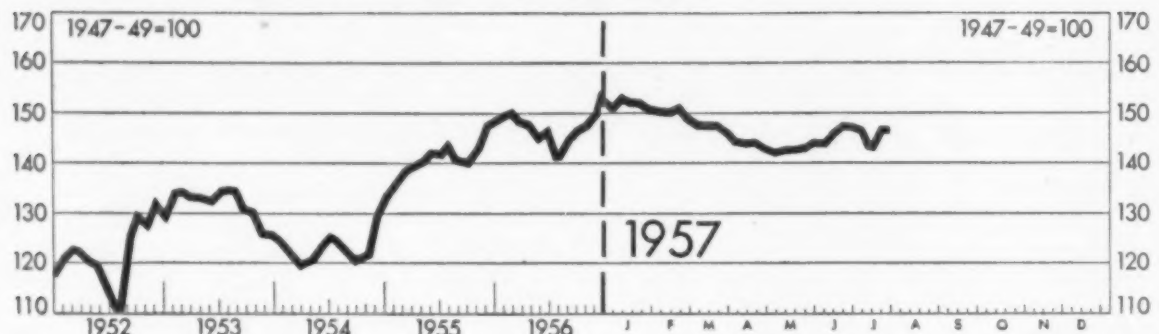
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FIGURES OF THE WEEK



BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	% Latest Week
91.6	142.6	147.8	†147.4	*147.4

PRODUCTION

Steel ingot (thous. of tons).....	1,281	415	2,009	†2,033	2,103
Automobiles and trucks.....	62,880	144,000	160,387	†148,551	151,189
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.).....	\$17,083	\$76,308	\$66,762	\$72,230	\$68,478
Electric power (millions of kilowatt-hours).....	4,238	11,295	12,111	12,306	12,243
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	7,086	7,190	6,947	6,922
Bituminous coal (daily av., thous. of tons).....	1,745	1,508	1,733	†1,452	1,680
Paperboard (tons).....	167,269	268,101	272,591	264,778	282,617

TRADE

Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars).....	82	63	68	63	65
Carloadings: all others (daily av., thous. of cars).....	53	46	57	56	59
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	96	119	104	101
Business failures (Dun & Bradstreet, number).....	22	274	271	266	228

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	413.8	425.0	428.9	428.3
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	94.3	93.2	92.7	92.7
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	82.1	85.6	86.7	86.2
Print cloth (spot and nearby, yd.).....	17.5¢	18.6¢	17.9¢	17.9¢	17.9¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	158.5	174.3	181.3	181.3
Scrap steel composite (Iron Age, ton).....	\$20.27	\$52.67	\$54.50	\$53.83	\$53.50
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	39.775¢	29.225¢	28.980¢	28.950¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.12	\$2.28	\$2.14	\$2.11
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	33.63¢	34.06¢	34.00¢	33.90¢
Wool tops (Boston, lb.).....	\$1.51	\$1.83	\$2.22	\$2.22	\$2.22

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	49.27	47.68	48.55	46.16
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	3.83%	4.70%	4.73%	4.75%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	3¼-3¾%	3%	3%	3%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	56,114	55,729	55,167	55,570
Total loans and investments, reporting member banks.....	††71,916	84,515	86,972	87,090	86,244
Commercial and agricultural loans, reporting member banks.....	††9,299	28,623	32,532	32,070	31,783
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	26,050	24,917	25,642	25,223
Total federal reserve credit outstanding.....	23,888	25,393	25,294	25,641	25,456

MONTHLY FIGURES OF THE WEEK

McGraw-Hill Indexes of New Orders (1950 = 100)	1946 Average	Year Ago	Month Ago	Latest Month
New orders for machinery, except electrical (seasonally adjusted).... June.....	N.A.	151	143	146
Construction & mining machinery..... June.....	N.A.	169	145	141
Engines & turbines..... June.....	N.A.	115	151	159
Pumps & compressors..... June.....	N.A.	188	180	214
Metalworking machinery..... June.....	N.A.	149	154	169
Other industrial machinery..... June.....	N.A.	152	139	136
Office equipment..... June.....	N.A.	165	181	225
New contracts for industrial building..... June.....	N.A.	256	143	134
Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100)..... June.....	83.4	116.2	119.6	120.2

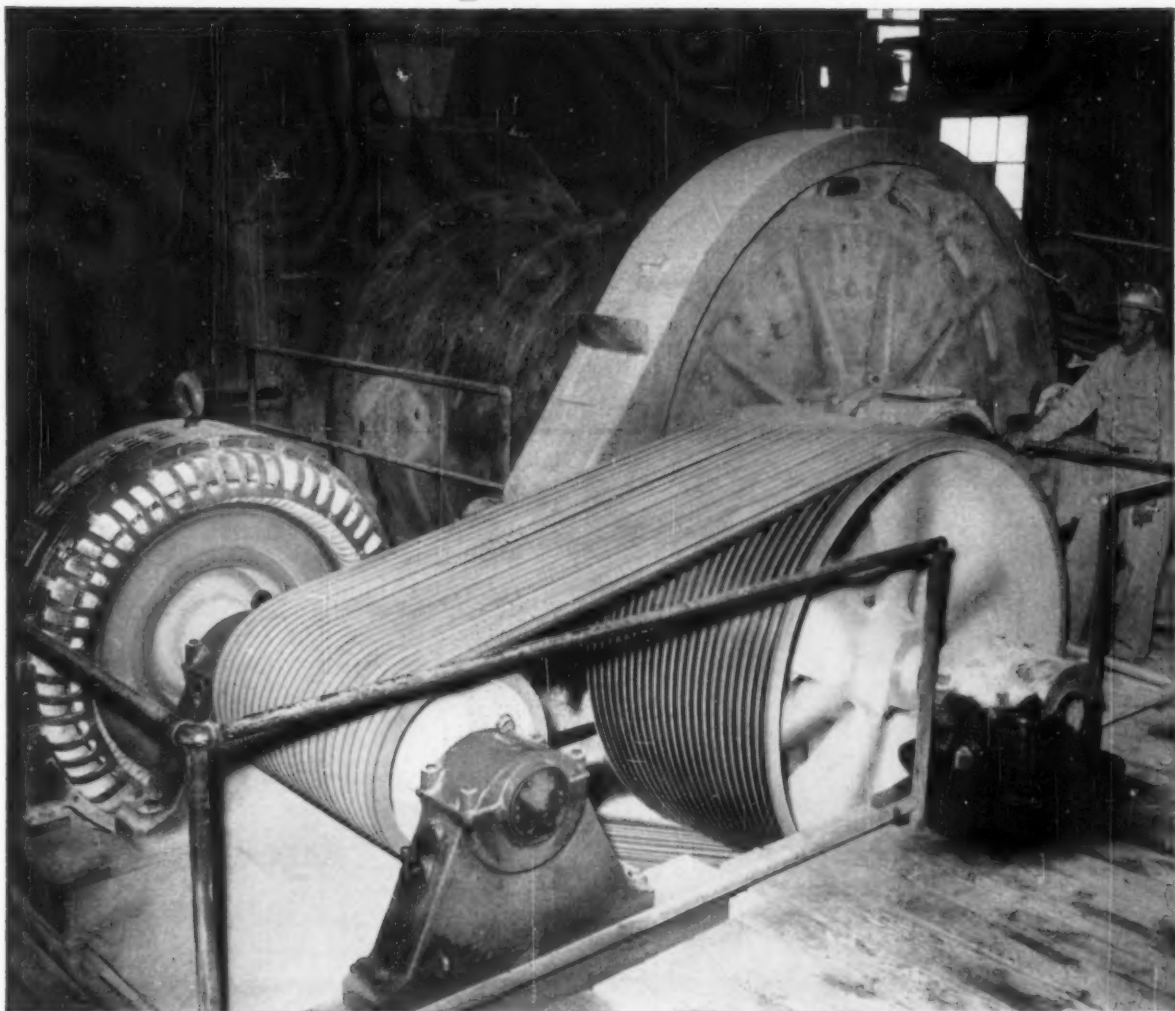
* Preliminary, week ended July 27, 1957.
† Revised.

†† Estimate.
** Ten designated markets, middling 16 in.

N.A.—Not available.
‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Albee Rolligon Mfg. Corp.—67 (top); Grant Compton—60, 61, 64; Convalr—67 (bot.); Walter Kiddee & Co.—70; Herb Kratochvil—30, 31, 32; Robert Leckenbach—52, 53, 56; McGraw-Hill World News—95, 96; Nestle Co., Inc.—99, 100, 101; Robert Phillips—112, 113; Elizabeth Pollock—cover; U.P.—27; Bert Watts—25.

B.F. Goodrich report:



Big steel gizzard grinds rocks

B. F. Goodrich improvements in rubber brought extra savings

Problem: As long as that big steel drum (at left) keeps turning, it does a beautiful job of grinding copper ore into powder. Hundreds of steel balls do the grinding, just as pebbles in a chicken's gizzard pulverize food.

But getting that heavy mill to turning from a dead stop, sometimes snapped one or more V belts like pieces of string. Even after starting, the strain of keeping it going wore out belts before their time.

What was done: When a B.F. Goodrich distributor heard of the problem, he recommended Grommet belts, a different kind of V belt developed and

made only by B.F. Goodrich. On the outside a Grommet belt looks like any other V belt. But buried inside are two cord loops, made like twisted cables except that they're endless—no splices or overlaps. It's these two grommets that make the B.F. Goodrich belt strong enough to pull heavy loads and take sudden jerks without going to pieces.

Savings: The set of B.F. Goodrich belts shown above have been on the job nearly 6 years now—longer than any V belts used before—and they show no signs of wearing out. They've never needed to be adjusted, haven't lost a minute of the copper company's time.

Where to buy: Your B.F. Goodrich distributor has full information on the B.F. Goodrich belts described here. And, as a factory-trained specialist in rubber products, he can answer your questions about *all* the rubber products B.F. Goodrich makes for industry. B.F. Goodrich Industrial Products Co., Dept. M-140, Akron 18, Ohio.

Grommet—T. M. The B. F. Goodrich Co.

B.F. Goodrich
INDUSTRIAL PRODUCTS

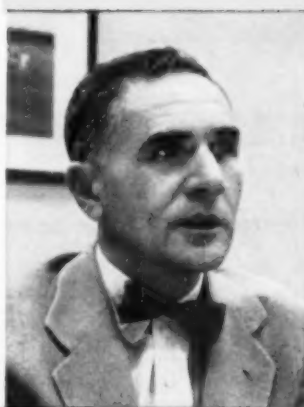
for Douglas' new DC-8...



Flight Control System—by Sperry

Precise as automatic flight control systems are for today's conventional aircraft, even more precise systems are required for tomorrow's new multi-jet and turbo-prop transports. These planes demand exact control between landing and sonic speeds . . . at varying altitudes . . . and over great distances.

To meet all the precise requirements of these aircraft, Sperry has engineered an entirely new concept in flight control systems, the SP-30. Working with Douglas design engineers, Sperry has integrated the SP-30 system with the DC-8 for optimum flying efficiency. For *passenger comfort*, this system features closer and faster-acting control in all modes and at all speeds, helping to provide a smooth and comfortable ride. *Accurate navigation* over all regions, including polar areas, is achieved through an extremely accurate compass system integrated into the SP-30. And for *maximum dependability*, advanced design elements include



PERCY HALPERT, Chief Engineer of our Aeronautical Equipment Division and 20-year Sperry veteran. Serving aviation—he has over 25 important patents on automatic flight controls.

redundant circuits, transistors, and magnetic amplifiers which drive servo motors directly. *Faster, easier maintenance* is provided by "plug-in" components.

Assisting the pilots of new jet-age aircraft to stay on course and on schedule is an assignment that Sperry is notably qualified to handle. The evidence is clear—thousands of Sperry automatic flight control systems are on the job today aboard multi-jet military aircraft.

Whatever the flight control problem, you'll find Sperry engineers eminently qualified to help you. Write our Aeronautical Equipment Division.

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READERS REPORT

Wrong Data

Dear Sir:

Your tax table [BW—Jul.13'57, p112] gives the wrong information on Oregon excise tax on corporations. Our rate was 8% on net income but concerns were allowed to offset up to 50% of this amount by personal property taxes paid in the state. Many corporations earned an effective rate of 4% under this system. The 1957 legislature changed the base rate to 6% for general business corporations. Manufacturing companies are still allowed an offset for personal property taxes paid, enabling them to earn an effective rate of 4%. Other corporations except banks and utilities pay the flat 6% rate.

CHESTER K. STERRETT

MANAGER

INDUSTRIES DEPARTMENT

PORTLAND CHAMBER OF COMMERCE

PORTLAND, ORE.

Dear Sir:

We would like to compliment BUSINESS WEEK on the state tax analysis chart. It is a clear-cut presentation that will be very valuable to us for making tax comparisons in our industrial development program.

Under the "Sales and Use Taxes" section of the chart we note that there has been an omission of the Symbol R for Alabama. Materials or products which become an ingredient or component part of the products sold by a manufacturer are exempt under Alabama tax laws. . . .

PLEAS LOONEY

DIRECTOR

PLANNING & INDUSTRIAL

DEVELOPMENT BOARD

MONTGOMERY, ALA.

Dear Sir:

The purpose of this letter is to take issue with a chart which appears on pages 112 and 113.

I resent very strongly the complete disregard of facts in the Fantus study as it applies to Colorado. There are three serious mistakes. . . .

The corporate income tax rate is placed at 5%. That is correct as it concerns the basic rate set by the act a good number of years ago, but it is extremely misleading, since the effectual rate is below that. More than six years ago, in 1951, Colorado's legislature had a General Fund surplus and granted a blanket 20% reduction on all income taxes. In effect, this action

in muffler manufacturing **REPUBLIC**



Deep-drawing is but one of several operations in fabricating mufflers for cars, trucks, and tractors performed by Mackenzie Muffler Company, Inc., of Youngstown, Ohio. Republic Continuous Galvanized meets all requirements and provides low-cost protection. If you manufacture a product subject to corrosion, investigate Republic Continuous Galvanized.

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...provides low cost protection!

Now, any fabricator can get finest zinc coating protection at low cost with Republic Continuous Galvanized Steel. And under toughest manufacturing conditions, this coating will not crack, flake or peel in any forming process permitted by the base metal.

Even after deep-drawing, like this muffler-manufacturing operation at Mackenzie Muffler Company, Inc., of Youngstown, Ohio, Republic Continuous Galvanized provides outstanding corrosion resistance—the basis for long,

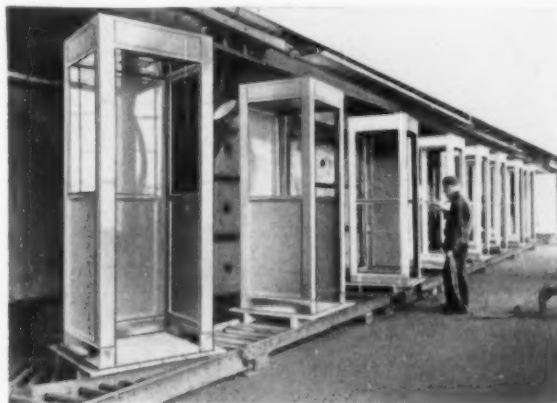
low-cost protection in service for users.

Republic Continuous Galvanized cuts manufacturing costs, too. It eliminates costly hot dip operations, permits continuous uninterrupted fabricating. It is available in a wide range of sizes, gages and grades, in sheets and coils.

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the foreman complained
the superintendent recommended
the president acted
production increased
so did profits
it was another case of...

POWER-UP!

LAMSON & SESSIONS did...and doubled production.

Before this fastener manufacturer Powered-Up his heating operation, entire furnace charges of steel rod for nut blanks often had to be scrapped.

With the installation of automatic material handling, rapid induction heating and electrical controls, production was doubled without any increase in plant space.

Scrap loss became nil.

Another benefit was a substantial improvement in die life.

Ask your electric utility sales engineer or your

Westinghouse representative how you can

Power-Up — how you can use your electrical power more efficiently for more profitable results.

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Welcome traveler

...PHILADELPHIA STYLE



Penn Center's \$16 million Sheraton Hotel boasts wall-of-glass windows, block-long corridors, a drive-in reservation desk, and delightful American Blower air conditioning!

Your reservation at the ultramodern Philadelphia Sheraton is a reservation for comfort . . . the result of architects and engineers working together as a team to combine modern, functional beauty with traditional Sheraton luxury.

Typical of their teamwork is the air-conditioning system. John K. M. Pryke, consulting engineer, states, "In a planning session, we selected American Blower to supply air-conditioning equipment on the basis of their engineering reputation, and the way their equipment fitted our architect's plans. Then we called in American Blower for specific product information.

"An American-Standard Remotaire unit in each room allows guests to select the climate they want, and permitted architects to use the modern wall-of-glass exterior without fear of heat gains and losses.

"Two American Blower Tonrac® Centrifugal Refrigerating Machines supply chilled water for the entire system, and operate so quietly," Mr. Pryke concludes, "that guests on adjoining floors never hear a sound."

If you're planning to air-condition, call in an American Blower representative at the planning stage for complete product information. American Blower Division of American-Standard, Detroit 32, Michigan. In Canada: Canadian Sirocco products, Windsor, Ontario.



Sheraton's engineering team planning comfort. L. to R.: J. K. M. Pryke, consulting engineer; R. J. Augusterfer, mechanical contractor; H. B. Prewitt, American Blower; F. B. Mills, Sheraton Corp.; Exec. Vice President H. E. Barth, American Blower; J. C. McCloskey, Jr., McCloskey & Co.



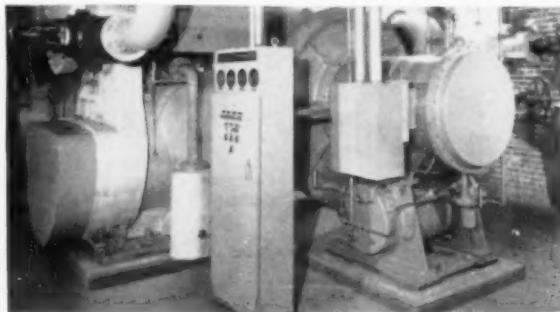
The new 22-story Sheraton Hotel. Architects: Perry, Shaw, Hepburn & Dean; Consulting Engineers: Slocum & Fuller; Builders: McCloskey & Co.; Mech. Contractors: Ambrose-Augusterfer Corp.

AMERICAN BLOWER

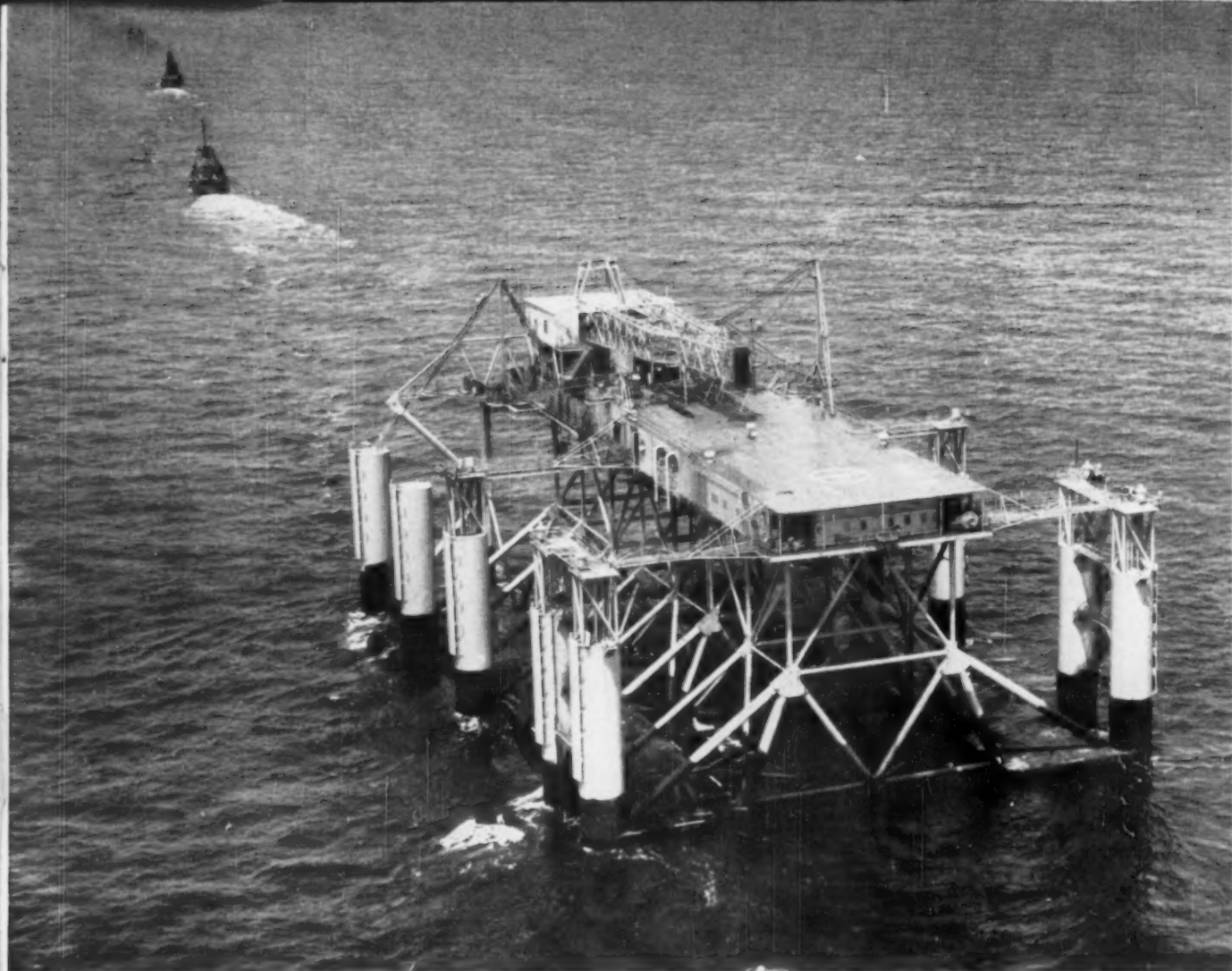
Division of AMERICAN-STANDARD



QUALITY PROTECTS YOUR INVESTMENT . . . AMERICAN-STANDARD
QUALITY IS AVAILABLE AT NO EXTRA COST



Chilled water for the individual room units is supplied by two 350-ton American Blower Tonrac Centrifugal Refrigerating Machines installed in the fourth-floor master-control center. Tonracs operate quietly, automatically; won't disturb guests on adjoining floors.



Huge oil-drilling barge, owned by the Ocean Drilling & Exploration Company, being towed to drilling location off Lake Charles, Louisiana.

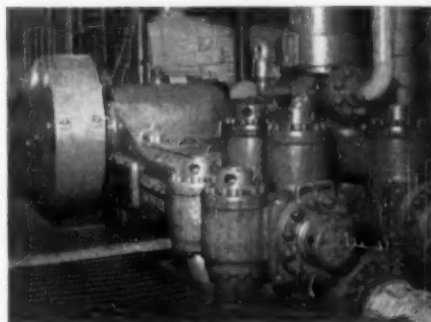
TEN-LEGGED MARGARET IS WORLD'S BIGGEST

Complete with helicopter landing deck, ten stabilizing columns and three hard-working Gardner-Denver mud pumps, the gigantic oil-drilling barge *Margaret* now joins the Ocean Drilling & Exploration Company's fast-growing fleet of off-shore drilling units.

Three hundred feet long, 200 feet wide, the *Margaret's* main deck stands 90 feet above bottom, permitting operations in 65 feet of water. A standard

drilling rig is mounted on the upper platform. The *Margaret* is as self-sufficient as possible, with living facilities for 40 men and plenty of storage space for supplies.

Off-shore drilling with such giant barges as the *Margaret* has opened new horizons for the petroleum industry—and, as so often happens, Gardner-Denver equipment is at the heart of the development. *Gardner-Denver Company, Quincy, Illinois.*



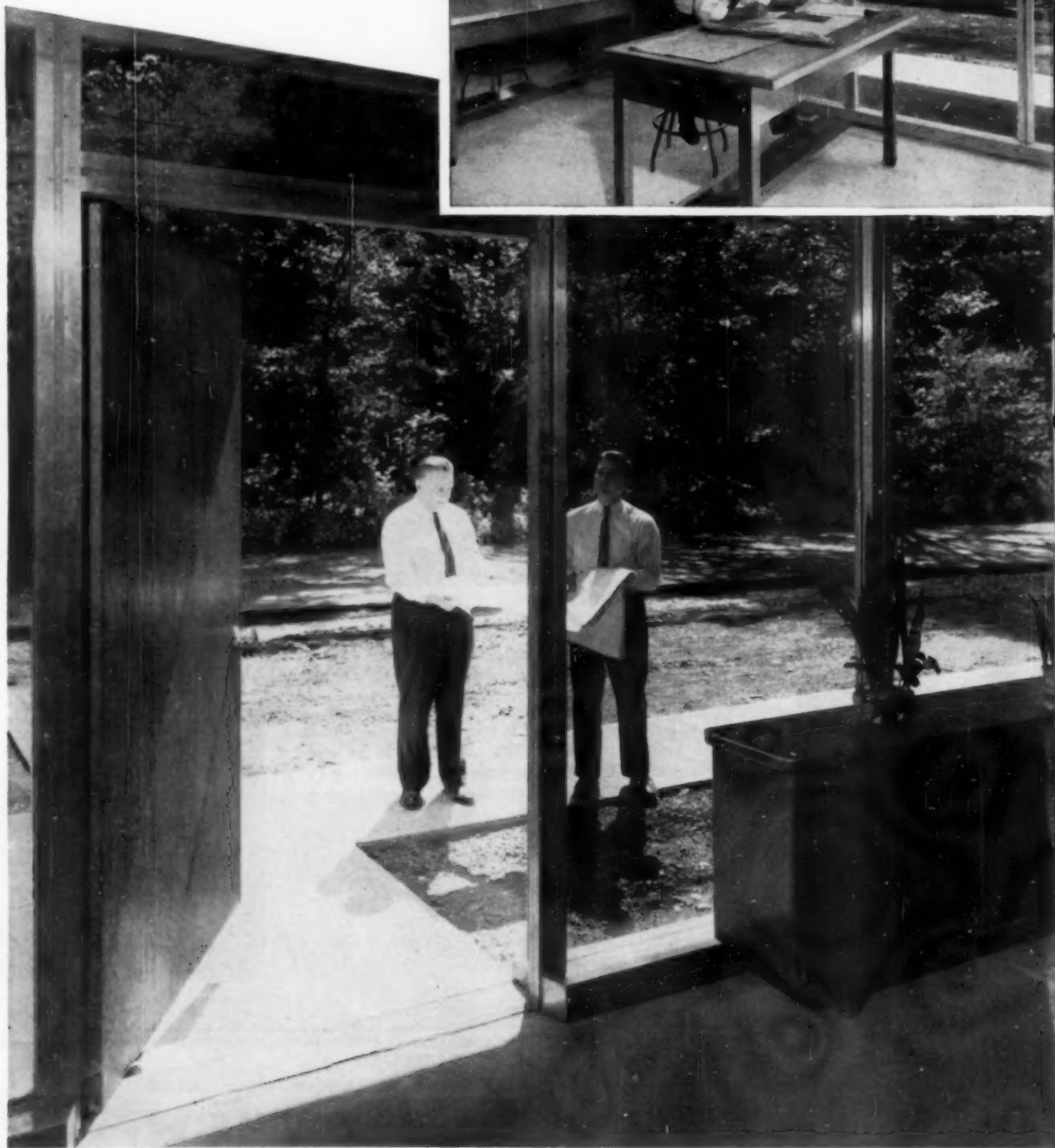
One of the three Gardner-Denver mud pumps used on the drilling barge *Margaret*. These pumps are used for forcing drilling "mud" into drill pipe to remove rock cuttings.



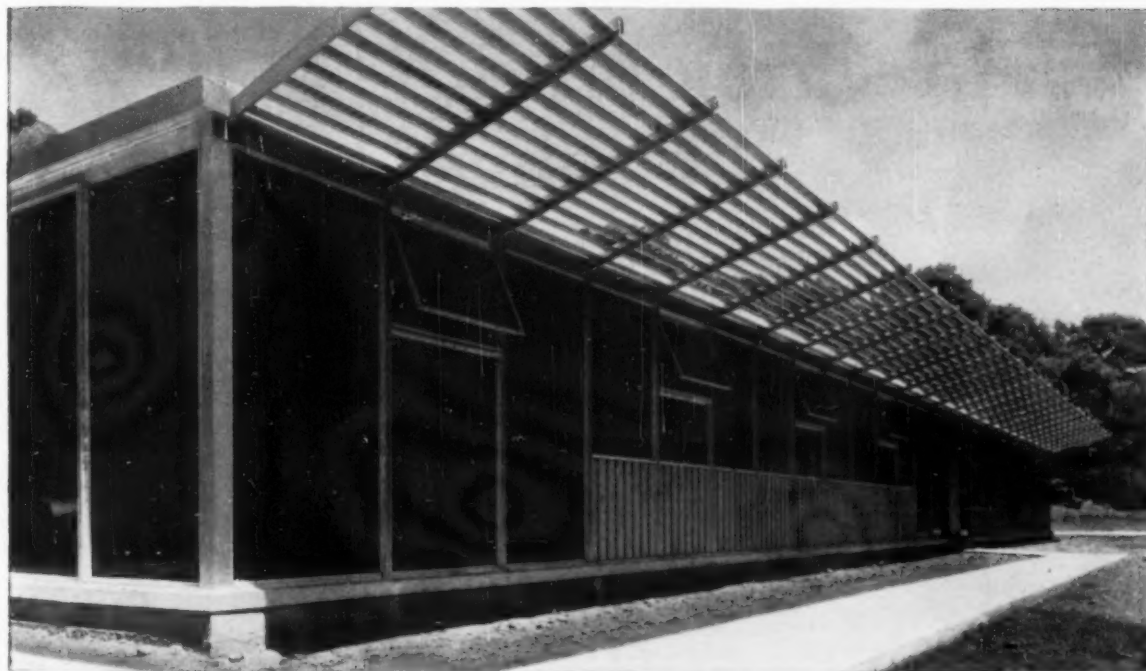
ENGINEERING FORESIGHT—PROVED ON THE JOB
IN GENERAL INDUSTRY, CONSTRUCTION, PETROLEUM AND MINING

GARDNER - DENVER

Right—Efficiency is high all day in new drafting room of Aluminum Structures, Inc., because the glare reduction provided by **AMERICAN LUSTRAGRAY** sheet glass results in greater eye comfort. **Below**—Glare seen through opened entrance doorway at left is reduced approximately 50% by windows of **AMERICAN LUSTRAGRAY** at right of doorway. Note how the neutral gray tint of **LUSTRAGRAY** actually sharpens the view.



Below—Viewed from exterior, windows of AMERICAN LUSTRAGRAY provide an attractive appearance and interior privacy. Photo shows exterior of new plant-office of Aluminum Structures, Inc., Upper St. Clair Township, Bridgeville, Pa. **Architects:** Schell, Deeter & Stott, Pittsburgh, Pa. **General Contractor:** Dick Corp., Large, Pa. **Aluminum Fabricator and Erector:** Aluminum Structures, Inc. **Glazier:** Watson-Standard Co., Pittsburgh, Pa.



GLARE REDUCING SHEET GLASS

For efficiency | appearance | economy | privacy

—the architects chose **american LUSTRAGRAY**

Here's an example of how AMERICAN LUSTRAGRAY, a neutral gray sheet glass, has become a very functional part of modern building.

The owners of this spanking new industrial building wanted daylight without glare. LUSTRAGRAY gives them that—and at the same time provides a significant reduction in the transmission of solar heat. Result: increased task efficiency for occupants.

The appearance of LUSTRAGRAY has a very unique effect. Viewed from the exterior, LUSTRAGRAY is just dark enough to afford interior privacy and yet the occupant is provided excellent, undistorted vision. LUSTRAGRAY has an attractive, highly lustrous appearance with a minimum of distortion, and its neutral gray tint eliminates undesirable effect on interior or exterior colors. With AMERICAN's continuous drawing process, there is no variation in the color or quality of LUSTRAGRAY.

Significant economy is one result of the use of glass for

walls in place of other building materials, and glass lasts longer with practically no maintenance or deterioration in appearance.

The advantages of efficiency, appearance, economy, and privacy are available to you on your next design job. For glazed areas in industrial, commercial, institutional or residential designs, specify AMERICAN LUSTRAGRAY sheet glass—the new look in functional glazing.

Write our Architectural Promotion Department for literature.



american
WINDOW GLASS COMPANY
PITTSBURGH, PA.

PLANTS: ARNOLD, PA. • ELLWOOD CITY, PA.
JEANETTE, PA. • OKMULGEE, OKLA.

WSW 6723



BRUSHING METHODS

worthy of your confidence

Precision brush finishing

mass-production method



BEFORE
BRUSHING



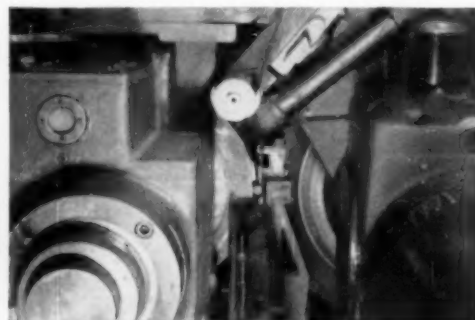
AFTER
BRUSHING

PRECISION parts by the thousands can be surface finished . . . at high, continuous rates. The method . . . Osborn Centerless Brushing . . . is fast, economical.

Cylindrical parts are fed past a revolving Osborn Matic® Brush. Surface finishes are refined to low microinch readings, grinding burrs are removed and surface junctures blended to reduce stress concentrations.

With Osborn Centerless Brushing, uniform quality of product is maintained. A wide variety of parts can be handled with the same basic brushing method.

Why not check what operations in your plant can be done at lower cost with power brushing. An Osborn Brushing Analysis will show you how. There is no obligation, of course. Write today. The Osborn Manufacturing Company, Dept. A-102, Cleveland 14, Ohio.



Cylindrical parts precision finished automatically and economically with Osborn Matic® Brushes.

Write TODAY
for the new
100-page Osborn
Catalog 210-C

Osborn Brushes 

BRUSHING METHODS • POWER, PAINT AND MAINTENANCE BRUSHES
BRUSHING MACHINES • FOUNDRY PRODUCTION MACHINERY

reduced the actual rate to 4% for corporations. That rate prevailed through calendar 1956. To be completely honest with you about this situation, the 1957 legislature, in an attempt to bolster General Fund revenues temporarily . . . changed the 20% reduction to 15%. Even at that figure, however, the actual rate is 4.25% and not 5% as you show it.

Now, to the second and probably the most damaging of the three errors: Your chart shows that federal income tax is not an allowable tax reduction in computing net income. Colorado's income tax became effective July 1, 1937, and the statute and regulations allowing the full deduction of federal income tax has never once been altered. . . .

The third error is also a grievous one. It states that the Colorado franchise tax on out-of-state firms is \$10 per thousand on capital stock in state. The tax is actually 1/100 of that amount. . . .

LEWIS R. COBB

EXECUTIVE DIRECTOR
STATE ADVERTISING AND
PUBLICITY DEPT.
DENVER, COL.

• The data used in the chart was compiled by Fantus Factory Locating Service. Unfortunately there were errors in this data.

In Fairness

Dear Sir:

In fairness to my company, which for more than 100 years has been universally recognized as the world's leading bank note firm, I feel that certain errors that appeared in the story on Thomas De la Rue & Co., Ltd. [BW—Jun.29 '57,p127] should be corrected.

The statement is made that "Brazil's currency business was won away from the American Bank Note Co. . . ." While Thomas De la Rue & Co., Ltd. prints some of the notes of Brazil, a very substantial part of Brazil's needs for many years have been and still are being supplied by American Bank Note Co.

The article also states that "In 1930, De la Rue signed up China's business." De la Rue did print some bank notes for China, as did a number of firms during China's inflationary period. However, for over 40 years prior to the change in China's government in 1949, American Bank Note Co. was China's principal supplier. . . .

W. F. COLCLOUGH, JR.

PRESIDENT
AMERICAN BANK NOTE CO.
NEW YORK, N. Y.

Your business is in the Age of Electronics

Your engineers

a man can do so much—or can he!

Aren't your
modern, highly trained
engineers happier and more
productive when they have fast, modern
engineering tools to work with? Is your
Company profiting from the use of electronic
instruments—time-saving, supremely accurate
new engineering aids? Hewlett-Packard electronic
instruments save engineering time. 300 different
-hp- instruments make countless measurements
more swiftly and precisely than possible any other
way. Your present engineering group can do much
more creative work if not shackled by routine measurement
made in tedious obsolete ways. Over
130 Hewlett-Packard field engineers are today
helping company after company eliminate
time-wasting measuring methods. A letter
from you will assure an -hp- engineer
in touch with your engineers
—instantly.



world leader in electronic measuring instruments

Frequency, quantities, power, speed,
velocity, temperature, pressure, RPM,
RPS, ratios—-hp- instruments measure
almost anything that can be
transduced to electrical impulses.
Alongside is -hp- 500C Electronic
Tachometer Indicator, for measuring
RPM from 15 to 6,000,000 RPM.
\$285. Make sure your next instrument
requisition specifies -hp- equipment.



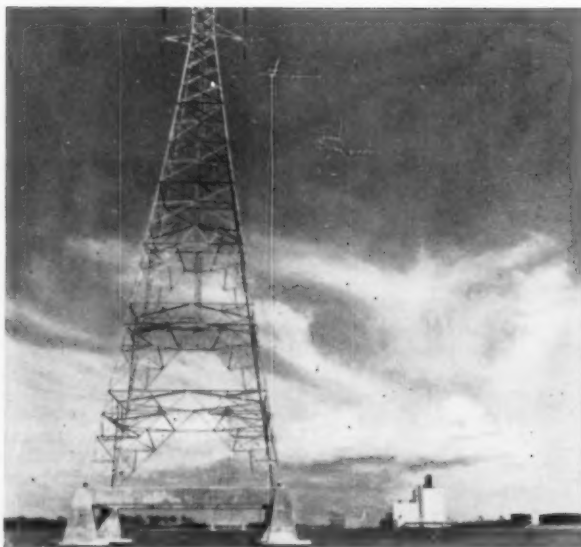
HEWLETT-PACKARD COMPANY
PALO ALTO, CALIFORNIA

Field application engineers throughout the world

Only **STEEL** can do so many



The Finest Printing Is Done On Clay. High-gloss papers (called enamel-coated) are covered with a thin coating of smooth, hard, lustrous clay to keep printing inks from being absorbed into the paper fibers. That clay is mixed in tanks like this one. Tanks are stainless steel because nothing else can withstand the grinding action of the clay and at the same time keep it pure and white. In fact, this stainless tank has lasted seven times as long as the previous non-stainless tank.



High Line At Low Cost. These gigantic electrical transmission towers are 198 feet high—because they must provide 100 feet of clearance for ships passing underneath in Old Tampa Bay, Florida. By using a special USS MAN-TEN High Strength Steel, 6½ tons were trimmed off the weight of each tower. Total saving for four towers was \$7,200 . . . far more than the slight extra cost of the high strength steel. Towers were designed and fabricated by U. S. Steel's American Bridge Division.

jobs so well



Operation Deep Freeze. Last year, to prepare Antarctic base sites for the present International Geophysical Year, U. S. Navy Task Force 43 made an almost complete circle around Antarctica. Lead vessel was the USS Glacier, powerful pride of the Navy's icebreaker fleet. In this startling picture, the Glacier pokes her tough steel nose into the desolate Atka Bay ice barrier so that scientists and Navy men can reconnoiter and plant the American flag.

Soft As A Steel Spring! The softest thing you can sit on, sleep on—or ride on—is steel, in the form of resilient springs. Take automobiles: nothing can rival steel leaf, coil, or torsion bar chassis springs for comfort, reliability, and safety. You may think you're riding on a cloud—but all the time you've got a reassuring backbone of time-tested steel!



UNITED STATES STEEL



American Bridge . . . American Steel & Wire and Cyclone Fence . . . Columbia-Geneva Steel
Consolidated Western Steel . . . Gerrard Steel Strapping . . . National Tube . . . Oil Well Supply
Tennessee Coal & Iron . . . United States Steel Homes . . . United States Steel Products
United States Steel Supply . . . Divisions of United States Steel Corporation, Pittsburgh
Union Supply Company · United States Steel Export Company · Universal Atlas Cement Company

USS and MAN-TEN are registered trademarks of United States Steel.

7-1486

Watch the **United States Steel Hour** on TV every other Wednesday (10 p.m. Eastern time).



NOT THIS

But this...

Max Barton, milling two mounting pads of a worn wheel housing.

NOTE SAFETY GLASSES.



16 Years ... 36,602,081 Manhours Worked Without a Lost Eye

ASTUTE VICTOR ADDING MACHINE COMPANY installed an eye protection program in 1941 *despite an enviable record of no lost eyes for 23 years.* They "insured" against the law of averages!



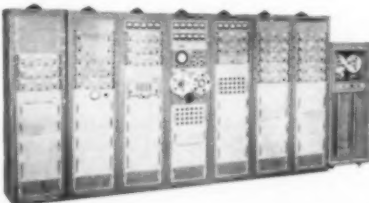
William F. Krienitz, Victor Safety Committee head, states, "Two accidents within the past year might have had serious consequences. A tool maker was working with punch and hammer. The punch broke, striking his safety glasses which deflected the punch. In another case, a bench hand struck a part with a hammer in a straightening opera-

tion. One metal chip hit his glasses, another his head. Result: minor lacerations, no lost eye in either case.

"Since 1941, our employees have put in 36,602,081 manhours without lost sight injuries. Further, there has been no eye impairment. All our 187 recorded cases have been minor."

Apart from humanitarian considerations, what has Victor saved? They estimate that loss of sight in one or both eyes has been prevented in 10 cases, and visual impairment prevented in 27. Compensation and medical costs today for loss of one eye run from low four figures to \$30,000 — visual impairment costs many times the cost of safety glasses!

And remember, *quality* protective equipment such as American Optical Company safety products is an indispensable ingredient in saving eyes and dollars. Write:



Victor electronic system manufactured for Convair, Fort Worth, Texas, Division of General Dynamics Corp. to permit testing of the B58 plane. Ground unit shown translates the performance facts gathered by airborne units while plane is in flight.

Always insist on the
trademark on lenses
and frames

American Optical
COMPANY
SAFETY PRODUCTS DIVISION

SOUTHBRIDGE, MASSACHUSETTS
BRANCHES IN PRINCIPAL CITIES

BUSINESS OUTLOOK

BUSINESS WEEK

AUG. 3, 1957



Real disarmament could change the business picture overnight. But barring this—and the chances are too thin even to calculate—you can discount any basic shift stemming from federal spending.

This means the government's upward push on total spending in the economy (out of which business gets its sales and profits) will keep right on rising.

To see the significance of this, you have to remember that Uncle Sam's bigger outlays have been the chief factor in keeping business on the higher plateau it reached last fall.

And together with state and local spending, it helped to keep things from falling apart when inventory investment turned around starting last winter.

There are two chief reasons why federal outlays are rising:

In the first place, costs of government are going up. Just as they have for business, prices of the things the government buys—military hardware, research, other goods and services—are trending upward.

And it's not immune to wage demands either. Congress recently voted a pay increase for postal workers; it's considering a raise for other federal workers.

So even if Congress trims the budget and the Administration succeeds in tightening housekeeping, regular budget spending will reach or pass the \$71-billion mark.

To gauge the full impact of federal spending, you have to consider the cash budget—the total amounts taken in from and paid out to the public.

This will run at least \$83-billion in spending. That's because a lot of outlays are made outside the regular budget—from trust funds and deposit funds. These include reserves set up for such programs as Social Security, unemployment insurance, the highway program.

Such spending will probably hit about \$15-billion this year.

When you add these to the regular budget (after deducting about \$3-billion or so that the government takes from one pocket to put into another) you come up with \$83-billion. And if the past is any guide, it may go even higher.

Spending outside the regular budget has been growing fast. This fiscal year, it will be about double what it was in 1954.

One of the chief factors in this has been the sharp expansion of Social Security (page 88). But Congress has also created other funds in recent years. Two of the newer ones are for disability insurance and the highway program.

Outgo from both these funds will be getting into stride this year.

—•—

Heavy construction will be a major gainer out of this bigger pie.

The highway program will be shifting into higher gear this fiscal year.

Federal contributions for the program will run about \$1.8-billion through June next year. That's about \$650-million more than in the fiscal year just finished.

BUSINESS WEEK

AUG. 3, 1957

So if state governments come through with their matching payments and planning details, **highway contractors will have more work to chew on.**

This will also help some makers of roadbuilding machinery. Their sales have been lagging behind expectations because they anticipated a faster take-off for the federal program.

Highway contract awards are already up by 31% over last year, according to Engineering News-Record, a McGraw-Hill publication.

Contract awards for heavy work in general still lag behind a year ago, though they have closed the gap a little to 15%. Public awards continue to top last year by a healthy margin, but private contracts still trail behind by close to 38%.

Settlement of the cement strike will remove a millstone that hurt heavy construction last month.

And it appears that the shortage of structural steel is about licked. In June, shipments of fabricated structurals surpassed bookings for the second straight month. One reason is that new orders have dropped sharply (partly because contract awards are down).

But capacity has also been expanded, and shipments are near a record. Contractors are now able to get steel shapes a good deal faster than a year ago.

—■—

Purchasing agents are getting a real workout this year. With price trends mixed, though generally higher, they have to do some sharp figuring to keep stocks at the right levels without losing money.

Here's what they had to contend with this week:

- **Aluminum** was marked up 1¢ a pound to 26¢ for primary pig (page 29).
- **Prices for auto and truck tires** were raised by 3% to 5%.
- **Copper** bounced up to 27½¢ in London on news of strikes in Northern Rhodesian mines, only to drop again as the strike was settled.

—■—

Layoffs and unemployment continue a little higher than a year ago.

Air Force procurement cutbacks and contract completions are paring aircraft payrolls in several areas.

- **Boeing** will have 6,000 to 8,000 fewer workers at Seattle plants by yearend, 3,000 to 4,000 fewer in Wichita.
- **GM's Allison Div.** will have laid off 950 workers in Indianapolis by this fall.
- **Curtiss-Wright's Wright Aeronautical Div.** in Wood-Ridge, N. J., is trimming 500 off the rolls as a result of the Navaho project cancellation (BW—Jul. 20'57, p28).

Other production cutbacks have caused the Labor Dept. to change classifications of six more labor market areas to reflect smaller demand for workers this month.

The department reports demand for skilled workers, technicians, and clerical workers has eased off a bit.



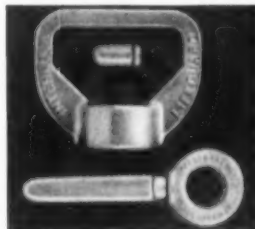
THE CHASE PLUS FOR INTERLOCK

Adding brute strength to snap fasteners

A flick of the finger unfastens it. Yet, this Chase-forged brass tether restrains the *strongest* farm animal! Can such a mighty midget be made at low cost? Yes! You see, Interlock Corporation uses rugged Chase brass forgings. They're precise from the *start*, require little machining, minimize scrap loss! Result: remarkable economy, strength and quality. You can improve *your* product, and your profits, with Chase brass forgings or rod, sheet, wire, tube, or shapes—made from Kennecott copper. Contact Chase Brass & Copper Co., either locally, or at Waterbury 20, Conn.



CHASE BRASS & COPPER CO.
SUBSIDIARY OF
KENNECOTT COPPER CORP.



INTERLOCK'S "LIFEGUARD" TETHER resists distortion, thanks to the great strength of this key-shaped forging made of Chase manganese bronze rod. Easily machined, tough Chase brass forging rod is used for other parts shown. Chase experts can recommend the right Chase alloy for your products, too.

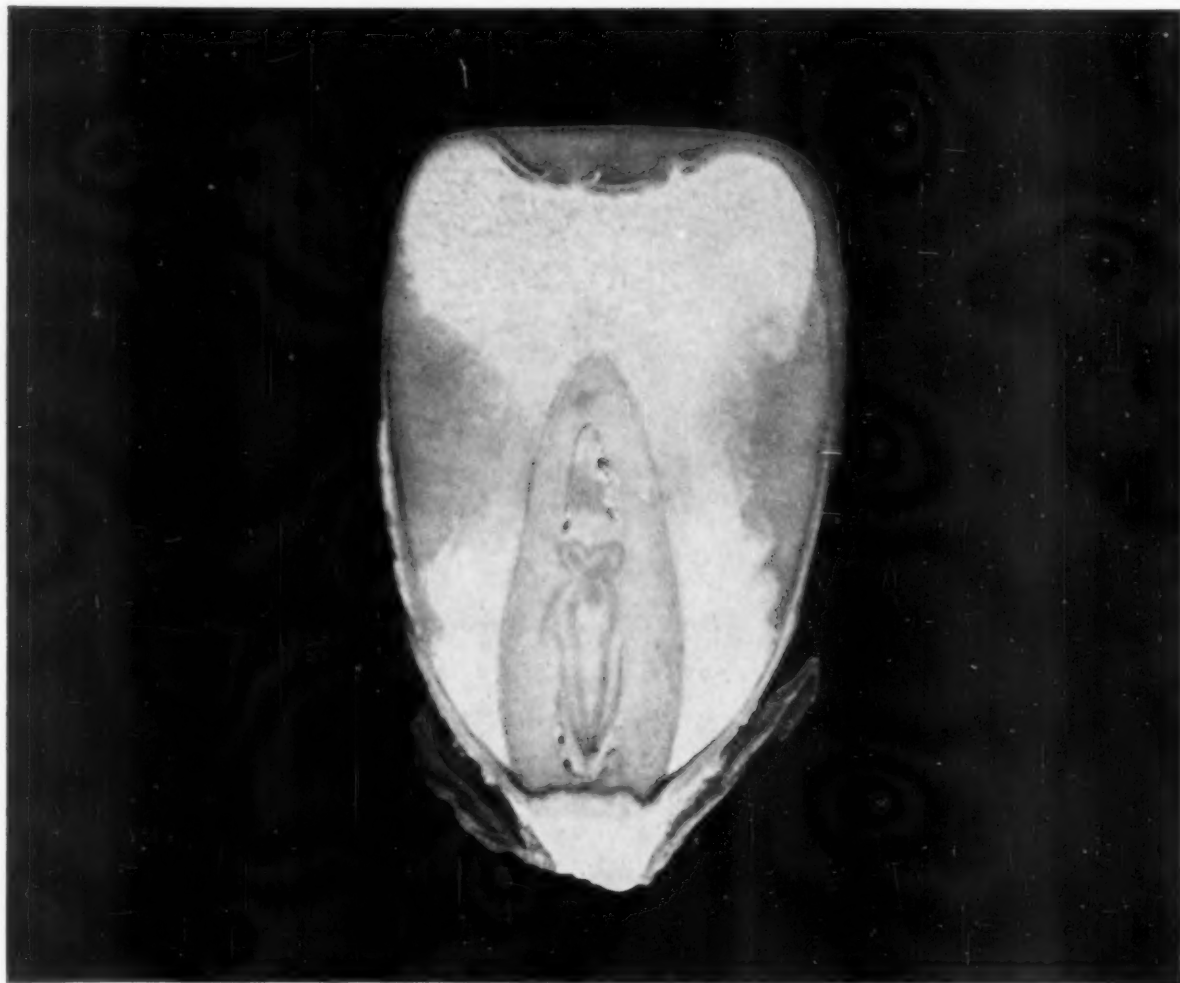


Illustration Courtesy of Corn Industries Research Foundation, Inc.

This is a magnified kernel of corn

Its tight, tough covering *which is one of nature's finest protective packaging jobs* has been cut away to reveal the truly wonderful things inside.

As the largest single industrial user of corn the wet milling industry extracts 2¼ billion pounds of starch; a million tons of livestock feed in the form of gluten, protein and fiber; and a quarter of a billion pounds of corn oil. Corn is the largest U. S. agricultural crop. It now exceeds 3½ billion bushels of kernels annually.

About 60% of a kernel of corn is starch. Corn starch leads all other starches in use as a base for starch specialties for industry. National is a major producer of starch specialties through chemistry—a *result of selective research and development.*

STARCHES

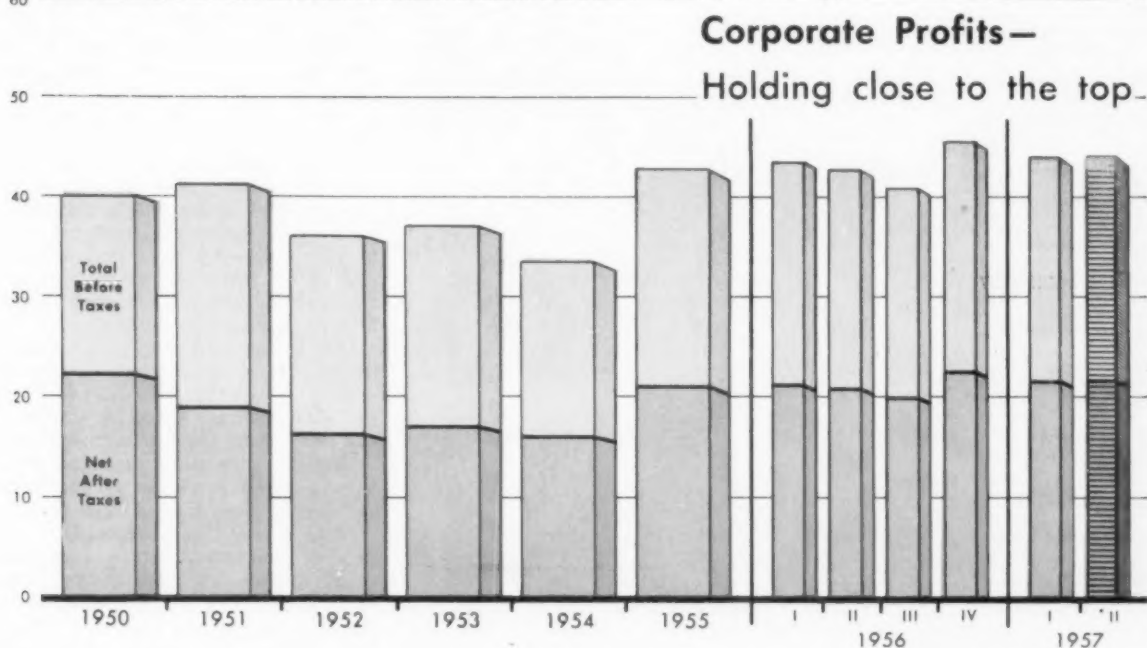
National

ADHESIVES

RESYNS®

NATIONAL STARCH PRODUCTS INC., 270 MADISON AVE., NEW YORK 16, N. Y.

Billions of Dollars
60



Data: Dept. of Commerce; *BUSINESS WEEK Est.

1956-'57 Annual Rates

Minuses Balance the Pluses

Almost as many companies show a profits decline in the second quarter as a profits gain. The over-all figures are still strong, though—close to a record high.

DESPITE a limp, U.S. business in the first half of 1957 kept up a fast profits pace. There were plenty of weaknesses to be found, but enough vitality over-all to keep the totals running at a level not much lower than their very best.

A look at the first-half operating reports as they flood in (table, page 24) will point this up. They show a wide variety of performances, not only between industry groups but also within the groups themselves.

• **Some Up, Some Down**—Thus far, the good seems to outweigh the bad. In the sampling of 50-odd companies, for instance, sales of about one-third dropped off in the period, while gains reported by the rest sent the total some 8.5% above year-earlier levels.

This same pattern fits the profits picture as well. As a whole, estimated net income for U.S. business during the first half rose modestly above the year-ago period. Profits after taxes (chart) are unofficially estimated at an annual rate of about \$21.6-billion, up a little better than 4% from the \$20.7-billion rate a year ago.

This happens to be almost the same percentage as the aggregate net income rise for the companies listed on page 24. But the increase wasn't across the board, by any means. A review of 134 early reports on the second quarter, for example, shows 62 declines compared with 72 reporting higher profits in the period.

• **Trend Is Up**—If you heard only the industry plaints about rising costs, slow-

ing sales, and shrinking profit margins, you might have been surprised to learn that the earnings pot contained gainers as well as losers.

Profits, both before and after taxes, have been going at a boil—a mighty high boil—since 1955. True, they slowed down last year in the second and third quarters, but picked right up again, sharply. This year, there has been no such dip; second-quarter profits are running slightly ahead of the first quarter.

• **Keeping in Step**—The profits portion of this year's business portrait reflects slow and steady total growth. Another part of the same picture is filled in by the climb in gross national product. The Council of Economic Advisers reckons GNP rose by \$4.4-billion, or about 1%, between the first and second quarters of 1957.

The Council estimates that GNP for the second quarter is running at a seasonally adjusted annual rate of about \$433.5-billion, compared with \$410.8-

First-Half Earnings—A SAMPLING

	First-Half Percent Changes (1957 vs. 1956)		Second-Quarter Percent Changes (1957 vs. 1956)	
	Sales	Net Profit	Sales	Net Profit
BUILDING MATERIALS				
American Radiator	- 6.0	-52.6	- 4.9	-60.0
Flintkote	+ 6.9	+17.2	+ 7.9	+15.1
Johns-Manville	+ 0.5	-28.2	- 0.3	-28.3
National Lead	- 2.6	+ 3.8	- 8.2	+ 0.4
Penn-Dixie Cement	-19.6	-54.6	-27.5	-63.4
U. S. Gypsum	-12.2	- 9.5	- 9.8	- 4.4
CHEMICALS, DRUGS				
Diamond Alkali	+ 1.6	-15.2	+ 2.2	-12.6
Du Pont	+ 7.5	+ 7.1	+ 6.2	+10.2
Merck	+ 4.9	+14.0	+ 6.5	+26.4
Miles Laboratories	+ 5.0	+13.3	+ 9.5	+15.6
Monsanto	+ 6.0	+ 0.9	+ 4.5	- 0.8
Rohm & Haas	+10.3	+ 6.2	+11.9	+16.8
Schering	+ 8.1	+ 4.5	+ 6.4	+ 3.9
Union Carbide	+ 7.9	- 4.4	+ 6.1	- 2.8
ELECTRICAL EQUIPMENT				
General Electric	+ 8.3	+13.2	+ 5.9	+10.2
Minneapolis-Honeywell	+26.7	+ 7.8	+22.7	+ 0.5
Square D	+ 4.6	-14.4	+ 1.9	-30.2
Sylvania	+ 0.1	-35.1	- 1.3	-45.0
FOOD				
American Chicle	N.A.	+10.7	N.A.	+14.8
Standard Brands	+11.5	+12.7	+13.3	+ 5.8
Wm. Wrigley	+ 3.0	- 1.8	+ 0.1	- 4.4
MACHINERY				
Black, Sivalis & Bryson	+ 4.7	-18.1	-11.3	-52.1
Caterpillar Tractor	+ 7.3	+ 0.02	+ 0.8	-18.8
Cooper-Bessemer	+39.7	+36.7	+19.0	+26.2
Fairbanks, Morse	- 4.6	+10.1	-11.7	-29.5
Manning, Maxwell & Moore	+39.7	+93.2	+32.7	+58.4
Worthington Corp.	N.A.	+ 7.5	N.A.	+ 0.8
METALS				
Alcoa	- 4.5	-21.7	- 4.1	-20.1
Howe Sound	-25.5	-95.8	-28.9	-69.8
Kennecott	-19.1	-44.6	-21.8	-52.1
OILS				
Atlantic Refining	+ 9.8	+14.2	+ 4.5	+ 6.1
Continental	+ 6.7	- 7.2	+ 5.9	-14.3
Plymouth	N.A.	+ 3.5	N.A.	- 4.5
Shell	+13.8	+ 8.5	+11.1	- 1.6
Socony Mobil	N.A.	+ 6.4	N.A.	0.0
Standard (Cal.)	+22.2	+11.7	+34.1	+10.4
PAPER				
Container Corp.	- 9.0	-19.0	- 1.9	- 2.0
Rayonier	-17.3	-51.3	-19.25	-55.6
St. Regis	- 3.2	-25.8	- 4.5	-29.3
Sealright-Oswego Falls	+ 3.3	- 3.7	+ 1.3	- 1.0
STEEL				
Allegheny Ludlum	- 0.08	-14.8	- 8.3	-34.7
Bethlehem	+ 7.4	+ 8.9	+ 2.5	- 0.1
Colorado Fuel & Iron	N.A.	+ 2.2	N.A.	- 7.3
Crucible	- 6.4	-25.2	-14.0	-39.3
Republic	+ 1.3	+ 2.7	- 3.8	- 6.1
U. S. Steel	+ 3.0	+11.0	+ 0.1	+11.1
Wheeling	- 3.3	-35.1	-11.1	-54.2
Youngstown S & T	+ 2.7	+ 1.9	- 2.4	- 0.1
TRANSPORTATION EQUIPMENT				
Chrysler	+44.2	+380.6	+32.6	+456.2
Eaton Mfg.	- 0.6	-11.7	+ 4.5	- 4.5
Ford	+27.3	+29.8	+24.0	+21.5
General Motors	+ 0.8	- 4.4	+ 1.2	- 0.4
Mack Trucks	+10.8	+13.1	+ 8.6	+ 0.4
Thompson Products	+37.1	+71.2	+33.8	+56.7
White Motor	- 2.2	- 6.0	- 6.7	-26.3

N.A.—Not available.

billion a year ago—a gain of about 5%.

Look at another corner of the portrait—at dividends. They were up 34% in this year's first half over the year-ago period, according to the Dept. of Commerce. This increase, from \$5,359-million to \$5,549-million looks puny when matched against the 17% gain that the first six months of 1956 showed over first-half 1955. But the big surge in early 1956 reflected the business boom of 1955.

When things slackened off in 1956, companies just stopped hiking dividends and shelling out extras. What you see now is a dividend rate that mirrors the profits plateau.

• **Spotty Performance**—Although the economic indexes indicate that U.S. business is traveling along the high road, close examination shows the way to be pocked with holes and studded with hills. Some industry groups are leaping from crest to crest, others seem to keep slipping into the pits.

One of the sadder cases is the non-ferrous metals, whose profits have been severely cut by drastic price declines and sliding sales. Alcoa, for example, was hard hit by the first extended soft market in aluminum since the war. Sales were off by 4.5% for the half, and profits plummeted 21.7%.

Howe Sound Co., producer of a variety of non-ferrous metals including cobalt, copper, and gold, had an even more woeful tale to tell stockholders. Its sales for the half were off 25.5%, and profits—down almost 96%—had shrunk to almost nothing. Pres. E. Cecil Roper, explained:

"Domestic and world prices of the various metals mined by your company have continued to decline drastically, reflecting a world oversupply, together with a slowdown in the U.S. government stockpiling and barter programs. These developments . . . were entirely beyond our control. . . ."

• **Steel Troubles**—Some of the steels, too, had unhappy first-half tidings. National Steel, for instance, reported net income per share down to \$3.52 from \$3.92 in first-half 1956. But U.S. Steel, reporting at midweek, had an earnings increase of about 11%. The six-month total was the highest ever.

Like many industries, the steels showed spottiness within their group. On the one hand, Bethlehem showed a sales rise of 7.4% for the half, while profits rose a smart 8.9%. On the other hand, Wheeling Steel's first-half sales were off around 3.3%, while profits were down by about 35%.

Steel demand generally has been off, although there hasn't been much clear sign of buyer resistance to the recent price hike. The industry is pretty confident of an upturn by the last quarter.

Henry A. Roemer, president of Sharon Steel (per-share earnings for the

half down to \$2.48 from \$3.93), says reduced purchasing by the auto industry, as well as in the building, home equipment, and home appliance industries, took a big bite out of second-quarter earnings. But at least a mild improvement is in sight, says Roemer, despite third-quarter "inventory liquidations, shutdowns for vacations and the automotive changeovers for new models."

• **Spectacular Gains**—The weak sisters like the metals, building materials, and paper companies were offset by the strength shown by others, including the oils, drugs, and chemicals. Standard Oil Co. (N.J.) this week reported its best half-year earnings in history: \$463-million, up more than 18% over the \$392-million a year ago. Du Pont's earnings for the half were up 7.1%, not far behind sales, which rose 7.5%.

A few of the spectacular gainers during the June quarter, at second glance, weren't so spectacular after all. Underwood Corp., for example, had a rattling good gain. However, it had poor results a year ago, and much of the gain can be chalked up to recovery from this slump.

Among the regulated industries, such as the airlines, the rails, and the utilities, the first two had to report discouraging earnings performances in the first half. The utilities, meanwhile, kept moving slowly up.

• **Cost Still Pinching**—If there's one common denominator to be found among all these companies, it's the problem of costs that are rising a bit faster than sales. Aside from wage raises, explanations of this creep in costs generally boil down to three consequences of the struggle to maintain sales in the face of stiffening competition: (1) start-up costs of new facilities; (2) pre-production costs of new products; and (3) increased expenditures for research and development.

F. W. Magin, chairman of Square D Co., whose earnings in the second quarter were off 30.2%, explains: "Expenses associated with the start-up of production in new plants have been heavy. . . ."

Daystrom, Inc., earnings for the June quarter ran only a shade ahead of last year, despite a sales increase of 17.4%.

Pres. Thomas Roy Jones blamed this on "particularly heavy expenditures on research" during the period.

But industry is still fighting the cost battle, despite these added items and the rise in wages and materials prices. The sharp 13.8% improvement in profits for the Ruberoid Co. in the first half, although sales declined by 0.4%, stemmed mostly from a "continued plant mechanization program, together with careful control of overhead expenses," says Chmn. Herbert Abraham.



Co-op Gets Too Big for Ferry . . .



Builds a Bridge on Its Own . . .



Bumps Into "Low-Bridge" Laws

The nine Arizona cotton farmers who make up the Cibola Ferry Co. skipped some legal red tape and built themselves a bridge across the Colorado River. The lack of red tape, however, means that the bridge-owning farmers have until Aug. 8 to decide whether to comply with an Army Corps of Engineers order to modify the structure.

In 1952, a group of men from Blythe, Calif., obtained a water allocation and began farming across the Colorado in the vicinity of Cibola, Ariz. They formed a nonprofit corporation to operate a ferry to haul their crops across to the California side and the railhead. But as more and more acreage was put under cultivation, the single ferry (top) was no longer equal to its job.

About a year ago, the farmers de-

cided to build a bridge. They wrote to the County Board of Supervisors at Yuma, Ariz., for permission. The board referred the question to the Arizona State Highway Dept., which referred it to the state attorney general, who referred it back to the board. At that point, the farmers decided the buck had been passed around enough, so they built their bridge (center).

All went well until river boaters began to complain that there wasn't enough clearance (bottom), and the Engineers ordered the ferry company to modify the bridge so as not to "impede navigation." The way to modify the bridge, the farmers were told, was to make it into a drawbridge. The farmers say this is financially not in the cards.

A Club Over Oil Importers

● The flat ceiling of 1,031,000 bbl. per day on foreign crude approved by the President this week is the toughest restriction yet.

● That's 16% below the second-half program laid out by the importers.

● The plan is called voluntary, but it carries a clear threat of mandatory controls.

The international oil companies, whose imports of foreign crude oil have continued to mount despite repeated government pleas for voluntary cutbacks, now face the Eisenhower Administration's toughest ultimatum yet: Bring imports into line or face direct government controls.

Pres. Eisenhower this week put his official stamp of approval on a new program to hold the line on crude imports at 1,031,000 bbl. per day, a reduction of about 16% below the level planned by importers for the last half of 1957.

The new program is voluntary in the sense that no tariffs nor quotas are being imposed. But the government is telling each company how much it should import—down to the last barrel. And the threat is clear that mandatory controls may be forthcoming if the voluntary approach doesn't work.

• **In the Ring**—The Administration decision marks the latest—but certainly not the last—round in a trade fight that is charged with more political high voltage than almost any other in American business.

On one side are more than 12,000 domestic producers in more than two dozen states. Their demands for protection against cheaper foreign oil get a sympathetic hearing among powerful politicians of both parties.

State officials, conscious of the very real threat to their tax revenues as foreign oil depresses the American industry, add to the pressure. (In Texas, for example, the oil industry pays well over half of all business taxes.)

On the other side, a score of powerful major oil companies argue forcefully that our own oil supplies are becoming scarce—and that restrictions on imports deplete our dwindling reserves, bring higher prices to the consumer, and complicate our diplomatic relations with friendly oil-producing nations abroad. These companies are especially influential with the executive branch.

At the core of the arguments is a hard economic fact: Foreign oil, especially from the Middle East, is vastly cheaper to produce than is U.S. oil.

The importers have an obvious incentive to exploit their huge reserves overseas.

• **20-Year Controversy**—Oil imports have been the subject of continuing controversy for more than 20 years. But the problem didn't become serious until the end of World War II, when the U.S. became a net importer of crude.

Since that time, domestic producers have complained more and more that the cheaper foreign oil—mostly from Venezuela and the Middle East—is taking a growing share of the U.S. market.

The domestic producers' biggest argument has been this: Oil is vital to national security (80% of the petroleum consumed by the Allies in World War II came from American wells). The nation cannot afford to rely on faraway petroleum sources that may not be available in time of national emergency.

Nothing was done until 1955, when the President's Cabinet committee on fuels policies concluded that national security would be endangered if imports of crude and products were allowed to exceed the ratio to domestic production that existed in 1954—16.6%.

• **Pressure**—Domestic producers tried to write even tougher restrictions into the Reciprocal Trade Agreements Act when it came up for renewal in 1955. Under pressure from this group, then-Defense Mobilizer Arthur Flemming undertook to persuade the importing companies to hold down imports by voluntary action.

By the fall of 1956, Flemming was ready to certify to the President that rising imports were endangering national security. But then Nasser seized the Suez Canal and domestic producers found themselves called upon to produce oil for export to Europe during the crisis. A decision was put off.

Once the canal was reopened, however, ODM found that the international companies were programming, for the last half of 1957, imports even greater than those that had alarmed Flemming before the Suez crisis.

Gordon Gray, who had succeeded

Flemming as head of ODM, advised the President that crude oil imports were endangering national security. Eisenhower appointed a Cabinet committee to study whether the threat was real, and to recommend possible remedies.

• **The Answer**—The committee gave Eisenhower his answer this week.

The group, in a report immediately ordered into effect by the President, calls upon the international oil companies to hold crude oil imports into the area east of California to 756,000 bbl. daily. Some 493,000 bbl. of this is allotted to the so-called established importers, who have been importing large quantities of crude since 1954 or earlier. Another 262,000 bbl. can be imported by companies that have entered the picture more recently. Imports into the West Coast will be exempt from restrictions—but the Administration is acting on the premise they will be held to 275,000 bbl. daily. Each company is being told exactly how much it should import under the voluntary plan, but the problem of where the oil should come from is being left to the companies. In practice, imports from Canada will remain unaffected.

Imports of residual fuel oil and other products are not affected by the restriction program. When these imports, running around 530,000 bbl. daily, are added to the new crude "allowable," it means the door is open for foreign oil to take 17.7% of the U.S. petroleum market, compared with 13% under the original 1954 formula.

Independent producer groups are cautiously optimistic that the plan will bring stability to their industry.

They also anticipate that state production allowables, cut sharply in recent months, will be moved up.

• **Reactions**—The importing companies view the developments with mixed feelings. They will have to change their pattern of purchases in Venezuela and the Middle East, probably attempt to bring in crudes having the highest gasoline yields.

They also face the prospect of foreign crude prices softening, particularly if foreign rulers put pressure on them to maintain production levels.

Tanker rates will be affected, too. Industry experts predict that U.S. flag rates will probably improve, while foreign flag rates will soften.

"I can't see how this thing can work very long," comments one major oil company man. "It's just asking too much of a company to do voluntarily."

On one point almost everyone agrees: This will prove no more than a stop-gap solution.



LATEST witness in the monetary hearings is W. Randolph Burgess. He speaks . . .

In Defense of the Treasury

The hearings get hotter as Democratic critics attack the retiring Under Secretary of the Treasury's explanation of his debt-management policies.

The politically loaded debate over inflation and how to cure it got a fresh start in Washington this week.

W. Randolph Burgess, retiring Under Secretary of the Treasury, appeared before the Senate Finance Committee to defend his debt-management policies over the past 4½ years, and to give his own version of what kind of inflation we are in.

Burgess is following his old Treasury boss, George M. Humphrey, to the witness chair in what was originally billed as a broad inquiry into the financial condition of the country.

• **Defense**—Humphrey took on the defense of the whole Administration story—prosperity, high employment, balanced budget, and the rest. Burgess' job is more precise: To defend the manner in which he has supervised some \$225-billion worth of Treasury borrowing over the past 4½ years. Burgess opened with a two-hour lecture to the committee on how the Treasury conducts its debt operations, with particular reference to his own decisions. But if he had hoped to get by with a polite seminar

on the intricacies of federal finance, he was soon disabused. He twice used the word "stupid" in connection with a hypothetical case committee Chmn. Harry F. Byrd (D-Va.) was posing—and from then on he got the same rough handling from Sen. Robert Kerr (D-Okla.) and other Democrats that Humphrey received.

• **Burgess' Case**—Burgess anticipated that the heaviest fire from Democrats would center on the charge that—as Humphrey's debt management expert—he actively stimulated the current rise in interest rates. A fourth of his 35-page opening statement spelled out his reply: The Treasury does not force rates up, but pays the lowest rate it can and still sell its securities in a free market.

This task of selecting interest rates as close to the market as possible—but still high enough to sell the issue—is actually the easiest part of debt management, according to Burgess. The toughest part, to his mind, is deciding what length of maturities should be offered. On both interest and maturity,

he told the committee, he has conferred with many money market experts prior to each financing.

• **Specifics**—He followed this general defense, with a detailed explanation of some of the criticisms of his decisions:

• **Long-term** 3½% bonds offered in 1953 were a disturbing factor in the market for months, and were denounced by Democrats as a major factor in rising interest rates at the time. Burgess told the committee the offering "presented as difficult a problem as the Treasury has ever had to face," because there were no outstanding long-term Treasury issues to serve as a real guide.

• He made the same general point regarding the 4% rate on two of three offerings in a \$23.9-billion refinancing last month. He said the pricing of the three issues was as close or closer to the market curve than the average of the past six years.

• He pointed out that the amount of floating debt—issues due to mature within a year or payable on demand—is considerably lower than it was when he took office.

• **Democrats Attack**—Byrd struck for the jugular with his first line of questioning: When before—if ever—had the Treasury replaced maturing securities with new ones bearing double the interest rate? He was referring to the 4% offer of last month. Burgess promised to search Treasury records to see if he could find another such jump.

Byrd drummed on a favorite theme: the additional cost to the government of paying higher interest on the debt. If the entire debt is refinanced at 4%—he reminded Burgess—the present \$7.3-billion cost of carrying the debt will jump to \$11-billion.

Voicing a consistent Democratic theme, Byrd then asked Burgess what effect the new 4% Treasury rate would have on the \$525-billion worth of private debt in the country. Burgess conceded that whatever the Treasury does has an effect on the interest structure—acknowledgment that its role is not entirely one of passively following market rates up and down. But he added that there ought to be some restraint on inflationary forces as rates rise.

Byrd rejected Burgess' theme that higher interest rates are a check to inflation. He invited Burgess to offer his own explanation of why prices are now rising—and what he would do about it. Burgess was prepared: He sees the present round of price increases as due primarily to the long boom in capital expenditures by industry, on top of continued heavy output of defense weapons.

"Are there markets for all the goods which will flow from these investments?" Byrd asked. "I think some people are too optimistic," Burgess replied.

Hurrying the Atom to Work

● New international agency, suggested by Eisenhower at a U.N. meeting, could clear up red tape that holds back world trade in atomic equipment.

● If it can create a pool of enriched uranium fuel, U.S. makers of atomic equipment could count on a broader overseas market. Prospective buyers are worried about fuel for the enriched uranium reactors that the U.S. builds.

● At home, AEC faces a debate in Congress over its domestic policies. Democrats insist on public construction of some atomic reactors, contrary to AEC wishes.

World cooperation in developing peaceful uses of nuclear energy came a step nearer this week when Pres. Eisenhower signed the treaty that creates the International Atomic Energy Agency. At the same time, Congress moved in the direction of more federal construction of power reactors.

It was more than coincidence that the U.S. signature brought the world agency into existence. Pres. Eisenhower himself had suggested the idea of a global nuclear organization three and a half years ago in a speech at the United Nations. So ratifications were timed to give him the honor of setting down the key signature.

Eighty nations signed the draft memorandum last fall; the U.S. was the 26th to sign the treaty itself. It took only 18 to put the treaty into effect, but three of the atomic Big Five—the U.S., Britain, France, Canada, and Russia—had to sign. Russia filed first; then, this week, Britain. After the U.S. filed the crucial third, France and Canada also signed, along with countries outside the Five.

Now that the agency has been created, the next step for the U.S. is for Congress to pass enabling legislation, spelling out just how this country will participate.

• **Bricker Amendment**—This step isn't going so smoothly. Congress is embroiled in a struggle over an amendment by Sen. John W. Bricker (R-Ohio) to the enabling act. This new Bricker amendment—not to be confused with his proposal a couple of years ago to cut the President's treaty-signing power—would require Congressional approval for each transfer of enriched uranium from the U.S. to the international agency. This wouldn't affect the token amounts the President has already pledged to IAEA.

This week, the Joint Committee on

Atomic Energy approved the amendment for the second time, and it may survive floor fights in both houses of Congress. But its critics say much of the advantage of U.S. participation in IAEA would be lost if strings are attached to our contribution.

Another point to be settled is who will control U.S. policy in IAEA. The State Dept. says it's a problem for diplomats; the Atomic Energy Commission says it's essential for scientists to hold key policy posts.

I. The Potential Is Great

For the world, IAEA holds promise of helping to reduce cold-war tensions and to spur international development of commercial nuclear power by:

- Setting up the world's first clearing-house for technical information and training.

- Working out internationally acceptable standards for health and safety, defining liabilities for accidents, organizing an inspection system to enforce safety standards and—perhaps more significantly—to see that nuclear materials aren't diverted to weapons production.

- Establishing a fair and efficient system for distributing nuclear fuels and reprocessing them.

- **Diplomatic Value**—If this program can be carried out, U.S. diplomats will feel they have made a great gain. IAEA will stand as a sign, particularly for the underdeveloped neutralist countries, of U.S. willingness to share its nuclear wealth and knowhow and to work with the Soviet bloc for peaceful purposes wherever possible.

The State Dept. also sees dangers of a backfire if in some way the Communists can make us look bad in this test of East-West cooperation.

- **Commercial Value**—For the U.S.,

IAEA holds promise of opening world markets more widely for U.S. atomic equipment. For the next decade, only the U.S. will have the excess factory capacity and the capital to export its reactors in any great quantity. At the same time, unless the fuss over enriched uranium clears up, industrialists fear that much of this advantage might be lost.

U.S. companies that make atomic equipment see immediate gains if IAEA functions effectively. They expect to get access to foreign markets that have so far been closed to them, and to be able to operate with much less government red tape and politicking. Here's why:

- The U.S. has bilateral atomic research or power agreements with 44 nations, but about 80 are expected to join IAEA. The added starters include important newly independent Asian governments that have declined to join in bilateral agreements lest they seem to be under Western domination.

- Under bilateral agreements, the two governments concerned are intimately involved in every detail of commercial transactions. International atomic trading is slowed and discouraged by this snarl of red tape, businessmen say. Under IAEA, suppliers and customers would be able to deal freely as long as safety and security standards were observed.

- **Fuel Supplies**—Everyone agrees that the market for atomic power plants is huge. Euratom, the projected European atomic energy organization, alone calculates a need to import \$500-million worth of equipment from the U.S. over the next 10 years. The world needs 10% more power each year, and it is trying to shake off its dependence on coal and oil.

Right now, however, the biggest deterrent to foreign sales of U.S. reactors is the fear abroad that the enriched uranium to run American-built plants may not be available throughout the 20- to 25-year life of the reactors.

Only the U.S. and Russia now have the enormously costly facilities for producing enriched fuel, and only the U.S. is likely to have enough to export in the foreseeable future. So governments that are cynical about international friendships have been wary of approving installation of U.S. reactors. Instead, they lean toward British reactors, which run on natural uranium that is more widely available.

Some U.S. manufacturers are afraid that if the British once got a foothold in the export market, they would be hard to dislodge. They gain a big selling point if IAEA succeeds in estab-

lishing a pooled supply of enriched nuclear fuel that couldn't be cut off at U.S. political whim. That's why they worry about the Bricker amendment.

If strings are attached to U.S. contributions of enriched fuel, Bricker's opponents say foreigners would doubt even more the reliability of the U.S. as a source of fuel. And the way would be open for Russia to donate large quantities of natural uranium, which the U.S. would probably choose to match—thus encouraging the market for foreign-made reactors.

II. AEC Under Fire

Meanwhile, U.S. domestic policy on power reactor development was vigorously challenged by the Joint Congressional Committee on Atomic Energy. Democratic committee members, long critical of AEC for not building reactors with public money, wrote more than \$208-million for this purpose into the agency's authorization bill.

Of this extra money that AEC doesn't want, \$150-million is for five small reactors for public power cooperatives and municipalities (BW—Jul 27 '57, p123). This move strikes at Chmn. Lewis L. Strauss' desire to keep AEC out of the public power business.

The rest is marked for:

- A \$40-million gas-cooled, natural uranium reactor at Arco, Idaho. AEC says British work on this type of reactor makes the project unnecessary and that this design shows less promise than others using enriched uranium.

- A \$15-million experimental unit to test plutonium as a reactor fuel. AEC says research on plutonium fuel isn't far enough along to justify a test reactor.

- Another \$3-million for design and engineering of a dual-purpose reactor to produce plutonium for weapons and heat for power generators. Chmn. Carl T. Durham (D-N.C.) of the joint committee says weapons output is being pinched by plutonium production capacity; Strauss says it isn't. Facts are blacked out by security.

- **Debate to Come**—The joint committee's bill faces a fight on the floors of Congress, where AEC has many defenders, mostly Republicans. But AEC itself will probably take a conciliatory attitude. For the first time in its career, AEC is at the mercy of the joint committee.

Until this year, AEC was an exception to the rule that each agency has to get authorization from Congress before the actual appropriation is taken up. Now AEC has to obtain item-by-item approval by the joint committee. The change was made at the insistence of Chmn. Clarence Cannon (D-Mo.) of the Appropriations Committee, one of Strauss' severest critics.

Price Hike in Time of Plenty

There's more than enough aluminum to go around, and the industry has always prided itself on low prices. But rising costs made this week's price increase necessary anyway.

It took some serious searching of the soul, but aluminum producers this week raised their prices 1¢ per lb. This brought the price of aluminum in basic pig form to 26¢ per lb.

There were three reasons for the preliminary soul-searching:

- The increase runs counter to aluminum's cherished policy of low and stable prices—the industry's key to new markets. Following an automatic wage boost as it did, some industry men fear it will cement a policy of annual—if not twice-yearly—price changes, such as now practiced in steel.

- The boost comes in the face of the first extended period of oversupply in the metal's history (page 60).

- Finally, with steel on the Congressional griddle for its recent \$6 per ton increase, aluminum men risk giving new fuel to Sen. Kefauver's inquiry into "administered prices" (BW—Jul. 20 '57, p33).

- **Two Excuses**—Despite these misgivings, producers justified their 4% increase on pig and other products two ways—by citing (1) the built-in wage boosts that are part of each producer's three-year contract with the United Steelworkers and (2) the rising non-labor costs.

According to Aluminum Co. of America, the Aug. 1 wage increases total 21¢ per hour, including a 3¢ cost-of-living increment (dictated by the Bureau of Labor Statistics index) that has been in effect since Feb. 1. The average hourly cost to the industry of an aluminum worker (in wages and fringe benefits) has climbed 7.4% to \$3.05, about 47¢ below steel's average.

In addition, non-labor costs—materials, freight, and power—have gone up from 4% to 8% since aluminum's last 1¢ rise, in August, 1956, according to industry figures. The cost bind—and today's "soft" market—showed up in Alcoa's half-year earnings statement last week: The giant company (43% of the industry's production) suffered a 22% drop in profits, despite a modest 5% dip in sales.

- **True to Pattern**—Regardless of its reluctance to act, aluminum runs little risk that the price gains won't stick. The average 4% increase is in line with the general industry pattern set by U.S. Steel's 4% last month; in fact, most industrial users have been reconciled to an aluminum price rise for many weeks. True, some fabricators—wounded by severe competition in fall-

ing markets such as in the window extrusion and corrugated roofing businesses—may hurl a few brickbats. But industry observers expect most fabricators to pass on the additional costs to customers—perhaps with "some profit fat" added to the price as well.

Aluminum's real worry, of course, is raising prices at all. The industry has built its business on a policy of low prices—and price cuts when possible—at the expense of the traditional copper, lead, zinc, and steel markets. During the many years of tight supply, the industry prided itself on never charging what the traffic would bear; scrap and secondary prices were often 8¢ per lb. above virgin metal. At the same time, each company absorbed much of its production cost increase and poured out millions in promotional dollars to attract new customers.

So, says one company executive, raising prices during a period of oversupply "threatens to disenchant just those industrial users who are now flirting with aluminum because of its price stability."

- **Go-Getters**—The problem, as the industry sees it, is to look beyond today's "temporary softness" and concentrate on markets for the future. This means expansion, which costs more, too. According to Richard S. Reynolds, Jr., president of Reynolds Metals Co., expansion costs have risen 201% in the aluminum industry since 1939. And little relief is in sight. Kaiser Aluminum & Chemical Corp. planned to spend some \$200-million for its Ravenswood (W. Va.) mill now under construction. But it's reportedly raising the ante already.

Aluminum has plowed back profits, but expansion has been on too big a scale to finance out of profits alone. Out of every \$1 in sales revenue, 91.1% goes into running the business, 6.4% into working capital and modernization, and 2.5% into dividends. To raise the huge wads of new cash that have been needed, the companies have turned to outside financing. Reynolds' debt, for example, has climbed from \$60-million in 1946 to \$284 million. The trend in other companies has been more or less the same.

The industry sees the rising debt and today's tight money market as factors to blame for the price hike. But, says one executive: "Aluminum is too committed to expansion to turn back now."

Newport Counts on President



SIC TRANSIT: Newport elite once rode through gates that admit tourists to The Breakers, Cornelius Vanderbilt's old home.



NAVY'S 27,000 Newport-based men take their brief shore leave on the town's waterfront, consuming beer, ogling Newport girls.



COUNTRY CLUB, with clubhouse in background, is one stop on Newport's social round. Here, Eisenhower will test fairways and greens.

to Put It Back on Map



To the ailing old port, drowsing in memories of glory, Pres. Eisenhower's vacation there is worth \$1-million in publicity.

THE PRESIDENT," wrote the editor of the Newport Mercury, "stepped ashore from the New York packet at 10 o'clock on Tuesday forenoon, August the 17th. . . . On Long Wharf, he was met by the principal inhabitants and, with the Secretary of State, he was escorted to Mrs. Almy's boarding house."

The year was 1790. George Washington and Thomas Jefferson settled down for the better part of a week at Mrs. Almy's place. The Presidential visit, Newporters hoped, would help put their town back on the map. Twenty years before, it was a larger, busier seaport and city than New York, but during the Revolution it was pillaged and occupied by British troops. When Washington arrived, grass grew in some of the main streets.

One hundred and sixty-seven years and 10 Presidential visits later, Newporters hope again that a Chief Executive's vacation visit will help snap their town out of its doldrums. Some time in the next two weeks, the "principal inhabitants" will turn out to welcome Pres. Eisenhower there for a three-or four-week vacation.

Eisenhower, too, will find long rank grass growing in Newport: in the side streets of a town that's blighted with increasing unemployment, and in the gardens of many of the monstrous "cottages" of Newport's decaying summer colony.

• **Slow Revival**—Washington's Newport vacation didn't help revive the town. It took almost another 100 years before it got back on the map, under the vastly different circumstances that produced the era of the industrial aristocracy in the U.S. which, in turn, produced the granite, gargoyle mansions.

Eisenhower's Newport vacation is worth \$1-million in publicity for the town, says the locals. But whether \$1-million worth of publicity can give the town much help is uncertain.

• **Three-Part Town**—Newport, like Gaul, comes in three parts.

First is the old town, started in 1639 by a group of dissidents from Massachusetts. Its narrow streets are still crowded with white frame houses, some

OLD TOWN, started in 1639, still has narrow streets lined with white frame houses, many dating from colonial times.



QUARTERS "A" is Navy designation for house at base set aside for Pres. Eisenhower, who will spend three or four weeks there.

of them dating from the 1600s. Today, its 37,600 people get their steadiest employment from the government. Some 3,400 civilians work for the Navy, another 1,400 are on other federal payrolls, and they draw more than \$70-million a year.

Next comes the Navy town, which has grown out of a torpedo station set up in 1869, is now headquarters of the Atlantic Fleet's destroyer force, and is home base for more than 27,000 men.

Finally, there's the summer colony, the thousands of acres of land on which squat the massive mansions that remain from the late 1800s, a time when even Czarist princes were staggered by the splendor of Newport life.

• **Civic Sickness**—Two of these three parts of Newport are sick.

The summer colony's illness is prolonged. It's also fatal. The federal income tax started its decline. The 1929 crash lopped away huge parts of it. The inheritance tax collectors are working faster toward the coup de grace.

But all the dirges that have been sung over it, the colony still has some life.

• **Social Round**—Says one of its members (who doesn't dare permit use of his name): "A lot of us still make the old rounds."

"We go to the Reading Room [an all-male club, the town's oldest] around 11 a.m. It's no intellectual place. Its main attraction is a large bar. There,



you have pre-lunch cocktails, get the gossip, find out whose wife is going with whom. There's one major rule: 'No talk of business is permitted.'

"Then, Bailey's Beach [a long-established, limited-membership club] for a swim, more Martinis, and lunch.

"For the afternoon, there's golf at the Country Club, sailing at the Ida Lewis Yacht Club. At night, if there's no party at a friend's cottage, you head for the Clambake Club [an exclusive dining and skeet-shooting establishment].

"Next morning, you pick up the gossip again at the Reading Room."

• **Declining Fortunes**—The contingent that still follows Newport's old social round at least through the summer if not for the whole year is drawn from some 200 families that are able to maintain their cottages along the two-mile Bellevue Avenue and the 10-mile Ocean Drive. Thirty years ago, there were about twice this number of families in the town's society. Of today's colony members, more than half have moved in since 1930, some buying mansions that originally cost \$1-million or more for \$250,000 or less.

• **End in Sight**—A high percentage of the owners of those still-standing mansions are aging now. In a dozen years or so, reckonings with the inheritance tax collector will have to be made all over the summer colony. And to many it seems that these reckonings will bring the end of what's left of Newport's society days.

Over the last few years the pattern of the end has been set.

It started with the demise as a private home of The Breakers, Newport's most massive and ornate cottage. This 70-room palace was built for Cornelius Vanderbilt in 1895. Today, his daughter Countess Szechenyi leases it for \$1 a year to the Newport Preservation Society, lives in a 14-room apartment on the third floor, and the rest of the place is run as a museum.

Within a few blocks of this old Vanderbilt mansion other changes are plain. Belcourt, once the cottage of O. H. P. Belmont, was opened this week as a museum. Owner Harold Tinney lives in part of it, runs tours through the ornately decorated building.

Nearby, a preparatory school has taken over two garish Victorian mansions; church schools and seminaries have been set up in at least half a dozen others.

• **Split Mansions**—But to the summer colony's most conservative members, the real horror is that another half-

dozen mansions have been split up into apartments.

Behind most of these conversions is Louis Chartier, a contractor who started working in Newport more than 30 years ago as a building laborer. Six years ago, he began buying old mansions and making them into apartments. Today, he owns five homes, has some 40 tenants. In 1954, he got The Waves, built for \$500,000 in the 1920s, for \$100,000 and split it into 11 apartments at a cost of about \$75,000. Goldplated faucets installed for the original owner, John Russell Pope, remain in some of the bathrooms along with other pieces of the massive original furniture. Chartier rents the apartments here for an average of \$3,500 a year. More recently, he bought Beachmound, Harry K. Thaw's old home, for just \$17,500 and spent \$150,000 converting it.

• **Splendor**—On one floor of Beachmound, Chartier keeps an apartment for himself. It's furnished the way most of his rented apartments are—with heavy antiques bought when the contents of other mansions were auctioned. Here Chartier spends his quiet weekends in something like Louis XIV splendor, but he does keep up with the times by having a telephone in every room.

Though his apartment overlooks Bailey's Beach Club, he's not a member. But many of his tenants are. A decade ago they, too, owned mansions at Newport, sometimes called contractor Chartier in to do repairs.

So far, Chartier's mansion-buying hasn't soaked up any profits from rents. But he claims that once he quits buying, the profits will flow in fast.

"There's only one danger in this business," he says. "You have to get long leases and downpayments because you have to make sure the tenants can pay. There are some four-flushers in that set, and if you get stuck with one and try to evict him you're in trouble. They'll get together at their card parties and their clubs and they'll tear you to pieces."

• **Old Town's Hopes**—In Chartier's operations, Newport's old town sees hope for aid in its attempts to get out of the doldrums. Says the Chamber of Commerce: "The construction work spreads money around the town, the apartments bring in more money."

Now the chamber's publicity men are ready to broadcast a fanfare for the common man, selling Newport as a summer resort for something less than millionaires. So far, though, their common man is still pretty uncommon, for currently they talk of promoting the sale of lots at \$10,000 an acre on which buyers would build \$50,000 and \$60,000 homes. To other upkeep charges would be added one of the highest city

PATTERN OF DECLINE in Newport brings schools to old mansions, boom to tattooing, sightseers to carriage houses, and business doldrums to the shopping centers.

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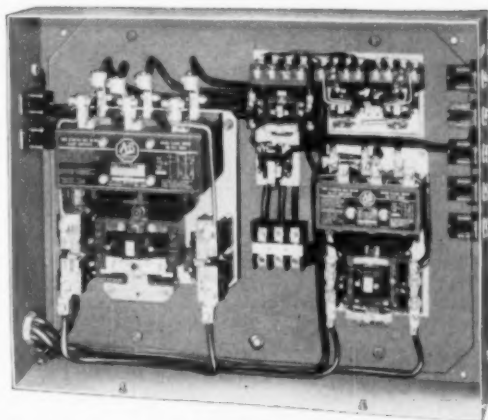
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tax rates in the country—\$42.70 on each \$1,000 valuation.

- **Somewhere to Stay**—There's also agitation in the old town for a resort hotel. Of Newport's three hotels, two are in the center of town, and the third, on the waterfront, has only about 25 rooms.

The agitation for a new hotel spreads over into the summer colony. There, the chief backer is Louis L. Lorillard, organizer of Newport's now famous Jazz Festival. Some 50,000 people came to the fourth of these festivals, held over four days last month. They crowded the three hotels, spilled over, three and four to a room, into space rented in every available private house in the old town, spread out to hotels and motels 40 miles around, and some 70 carloads camped each night on a nearby beach.

Next week, summer colony member Barclay Douglas, who also has the town's Cadillac agency, meets with city officials to propose building a large motel on Ocean Drive.

- **Unemployment Spreads**—This would help Newport's troubles to some extent, but when unemployment is up 55% over last year and 7% of the town's labor force is out of work, more is needed.

There's little manufacturing in the town. A General Electric Co. plant making switches and small electrical motors is the biggest manufacturing employer. But in a year it has cut its employees from almost 400 to about 200. Construction has dipped sharply, and the service industries have followed it down.

Along Thames Street, Newport's narrow business center, the dip is plainly reflected. In a few blocks, half a dozen stores carry "For Sale" and "Going Out of Business" signs.

- **Naval Foundation**—So today, old Newport still has to lean back on the Navy for a steady income. Like any Navy town, it collects two ways; first from the Navy's civilian payrolls, next from money the men spend locally.

More than \$70-million a year flows in from the Navy's civilian payrolls. But the base's 27,000 officers and men seem to spend pretty frugally in Newport. Housing demand from those who live ashore keeps rents high (and to help ease the pressure 2,000 Capehart housing units are to be built at the base). But in the center of town, Navy spending maintains a dozen well-stocked bars, 20 or more counter-lunch cafes, two tattooing parlors.

Newporters look for all this to change gradually. The prescription for recovery, they say, starts with Eisenhower's visit and the publicity that will come from it, continues with the new attempts to bring fresh spending power into Newport.

Direct Ore Reduction at Last?

Two processes for direct reduction of iron ore may be commercially feasible soon. If so, steelmakers could bypass the blast furnace—and save up to 50% in capital costs.

If you live in Venezuela or Warren, Ohio—or in Houston, Birmingham, or Seattle—it's becoming more and more likely that you'll have a fairly revolutionary new industrial process in your back yard within a year or so.

The new "neighbor" would be one or another of the processes for the direct reduction of iron ore—conversion of the ore directly into metal without going through the complicated intermediate chemical changes that go on in a blast furnace. It is something ferrous metallurgists have dreamed of for centuries (BW—Mar.31'56,p.79). Among U.S. steelmakers it's a concept that has been pursued as avidly as any over the last four or five years. At least five processes are being explored. Two of them seem very close to commercialization.

- **Contenders**—Probably closest are two rather radically different processes, one developed by Hydrocarbon Research, Inc., and Bethlehem Steel, the other by National Lead and Republic Steel. Announcement of the latter was made this week—and there was speculation in the steel business that a plant might be built at or near Warren, Ohio.

H-iron—the name of the Bethlehem-HRI process, now undergoing final melting tests—might logically make its debut at Seattle, where Bethlehem is converting from open hearth to electric furnace steelmaking. But there's gossip in the trade that an even more logical location would be Venezuela. There both high-grade iron and low-cost hydrogen are available in quantity.

- **Blandishments**—Two things make direct reduction of iron ore attractive:

- The very high capital cost of blast furnaces and supporting coke ovens for conventional iron smelting.

- The highly volatile price and supply of steelmaking scrap, which is used in large quantities when the pig iron produced by blast furnaces is converted to steel. An average of 55% of steel's annual ingot tonnage comes from scrap.

Direct reduction may well threaten the blast furnace with extinction, or at least vigorous competition. It promises drastically lower capital costs per unit of capacity—probably a saving of 50%.

By its very nature, it would permit a steelmaker to be substantially independent of the purchased scrap market, with its sickening swings in price and supply. Synthetic scrap made through direct reduction could take its place.

This also would let the industry embrace electric furnace steelmaking, which now depends on scrap, much more widely.

Republic and National Lead, through their jointly owned R-N Corp., are placing their bets on a process that employs a rotary kiln and low-grade fuel to take the oxygen out of pulverized ore at high temperatures—reportedly very close to 1,900F, the fusion point of iron ore. The product is then withdrawn over a magnetic separator. This concentrates the iron and rejects the impurities such as silicon. In the next step, the iron powder is made into briquets of 85% to 95% iron content.

- **Distinction**—One major difference between the two processes is this:

- The R-N cycle reportedly works better on interior ores, which it turns partly into melting stock for steel furnaces, hardly into feed stock by blast furnaces. From high-grade ore it produces the equivalent of No. 1 heavy melting scrap.

- Conversely, the H-iron process requires rather high-grade ores to achieve attractive economies.

H-iron removes the oxygen from finely powdered ore at a rather low temperature (about 900F), and under high pressure (about 400 psi.). Hydrogen is the reducing agent, (in the R-N cycle, it is carbon monoxide).

- **Secrets of Success**—Key to the successful operation of the R-N cycle, outsiders believe, is very precise kiln temperature control. For years, direct reduction experiments have failed in large-scale tryouts because the reaction took place at temperatures high enough to make the iron sticky. That made it more difficult for the reducing agent to get at the oxygen—and almost impossible to move the charge through the reactor.

Key to the successful operation of the H-iron cycle is low-cost hydrogen. Hydrocarbon Research figures that it can generate hydrogen from common inexpensive fuels at costs well below those for coke.

On the Gulf Coast, where hydrogen costs ought to be quite low and high-grade Venezuelan ore can be imported economically, some version of the Bethlehem-HRI process might be more attractive.

In a North Central steelmaking location, served primarily by Great Lakes ores of lower iron content, the R-N cycle might be more appealing.



World's largest commercial helicopter — the Vertol 44. This 52½-foot long, tandem-rotored craft relies on many nickel-

containing steels to carry its 15 to 19 passengers safely and dependably. Produced by Vertol Aircraft Corporation, Morton, Pa.

What gets the world's largest commercial "whirlybird" off its perch?

In the air, two rotor hubs support this 7-ton 'copter with its 2½-ton payload of passengers and cargo.

These hubs weigh only 33½ lbs. each!

To pack so much "muscle" in so little metal takes doing. This, the makers of the rotor hubs know.

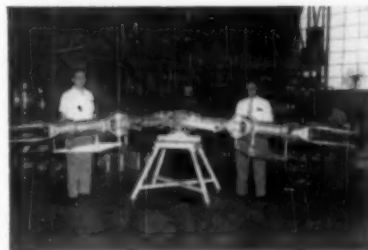
To solve the problem, they selected a grade of nickel-containing steel that's particularly suited for the job. One that gives the hubs extra strength and stamina needed to carry that 9½-ton load safely.

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A nickel-containing steel, AISI 4340, was their choice. It develops uniformly high properties in the large mass of the forging. Yet it's safe in light, finished hub.

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Whittled out of a large forging, this helicopter rotor hub combines high strength with light weight. Because it provides a high margin of safety with uniformly high properties even in light, finished sections, AISI 4340 steel was chosen. This nickel steel proved so satisfactory that Vertol standardized on it for the rotor hubs of all the world's largest commercial helicopters.

INCO NICKEL

In Business

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Salvage Outfit Thinks It Can Raise

Andrea Doria at a Tidy Profit

A project for refloating the 29,000-ton Italian luxury liner Andrea Doria was announced this week by the A.A.A. Sales Salvage Co., of Trenton, N. J.

The company has offered to buy the hulk of the Doria, which lies in 225 feet of water south of Nantucket, from the Italian insurance group that took title to the ship when it paid off the owner, the Italian American Line (BW-Aug. 4 '56, p28). No one will mention price, but shipping sources figure it to be well under \$1-million.

A.A.A. Salvage wants to use a method with which it has successfully raised ore boats in the Great Lakes. The idea is to build a bridge between two ore boats, and then lower chains from the bridge to raise the Doria—at a cost below \$4-million. The company guesses that it could realize something like \$30-million for a seaworthy Doria, or nearly \$10-million as scrap.

• • •

Loew's Insurgents Pick New "Directors"

To Make a Quorum as Foes Stay Away

The management clash that boiled up at Loew's, Inc., a week ago, has reached new highs of noise and confusion.

It started when three of the 13 directors resigned, and Pres. Joseph R. Vogel called for a special stockholders meeting to increase the board to 19 (BW-Jul. 27 '57, p46). He also demanded the ouster of two directors—Joseph Tomlinson and Stanley Meyer—saying they were after his scalp, egged on by Louis B. Mayer, former head of the giant film company.

This week, one more director resigned, leaving five insurgents and four pro-management men, with seven needed for a quorum. When the pro-management quartet refused to attend any meeting till the stockholder vote on Sept. 12, the insurgents met and "elected" two new members—including Louis B. Mayer. With this quorum, the board started issuing directives.

Vogel promptly called the whole thing illegal. He says he'll ignore the "rump parliament," and will go to court if necessary.

• • •

White House to Press Speedy Sale

Of Seized Enemy Alien Assets

The White House, in announcing a new plan for paying former owners of seized alien property, served notice that it intends to go ahead as fast as legally possible with sale of remaining seized assets—including the biggest, General Aniline & Film Corp. (BW-Dec. 1 '56, p156).

Last April, the government postponed sale of GAF to

give its former owners time to appeal to the Supreme Court from lower court dismissals of their suits for return of the property.

The White House announcement, an outgrowth of recent German-American talks, apparently means the Administration will ask Congress at its next session for a higher ceiling on monetary returns to individual foreign owners. The Administration opposes return of seized property as such to former corporate owners and, up to now, has held out for a maximum payment of \$10,000 each to individuals.

• • •

Georgia's Liquor Wholesalers

Padlocked by Revenue Commissioner

The drought is hitting Georgia hard, at least in the department of drinking liquor. State Revenue Commissioner T. V. Williams last week padlocked all wholesale liquor warehouses, charging breach of laws and departmental regulations. He says he doesn't know how long the ban will last—maybe forever in some cases.

• • •

Foes of Cleveland's Blue Laws

Try to Kill Them With Kindness

Foes of Cleveland's Sunday blue laws, unable to beat the laws' defenders, have decided to join them—and smother them in the process.

To do this, the newly formed Freedom Enterprises, Inc., will demand wholesale warrants against industries, hotels, transportation companies, gas stations, and anyone else traditionally open for business on Sunday, and hence violating the anti-work laws.

The idea is that the havoc caused will bring the end of the blue laws. First targets of FEI are such industrial giants as Republic Steel, Jones & Laughlin, Standard Oil of Ohio, and the New York Central RR.

• • •

Chrysler Building in Package Sale

By Webb & Knapp for \$66-million

In New York City's biggest real estate deal, Webb & Knapp is selling 75% control of a package including the Chrysler Building, Chrysler Annex, and Graybar Building to a syndicate headed by Lawrence A. Wien, a real estate man. The price is reported as \$66-million—a nice profit for Webb & Knapp, which bought the properties in 1953 for \$52-million.

A week earlier, Webb & Knapp sold a 26-story building on 34th St. for \$20-million. William Zeckendorf, chairman of Webb & Knapp, says the two deals will provide funds for the Manhattanville slum clearance project, and the Kips Bay development on New York's East Side.

Webb & Knapp will lease back the Chrysler package and operate the buildings for 99 years.



Forward planning builds future profits

More and more corporations are adopting formal long-range planning programs to insure profitable future operations. The number of companies scheduling capital expenditures 3 to 5 years ahead has more than doubled in a decade. Many progressive companies are making comprehensive studies of economic conditions 10 and 20 years ahead to guide current management decisions.

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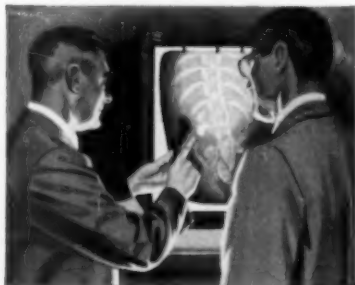
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ANY SIZE COMPANY CAN BENEFIT through Liberty's 4-phase medical and health program and dividend policy. In-Plant Medical Service, Industrial Hygiene, Medical Advisory Service and Rehabilitation control losses and help achieve low net cost.

A WOMAN INSPECTOR in a factory stepped backward on a press platform and slipped off the edge which was only 2 inches above the floor. Result: a fractured ankle.

Normally in this kind of case, recovery is quick. Instead, this patient made little progress in getting back use of her foot. Long immobilization seemed probable.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
AUG. 3, 1957



The Senate civil rights fight will leave deep scars. The earlier prospect of a law acceptable to the South dimmed this week when Pres. Eisenhower and his Senate leaders rejected the jury trial idea.

What it means short-term is a cut-down legislative program. Once the civil rights issue is disposed of, Congress will finish up the appropriations bills for fiscal 1958 and go home. Most other bills will be left pending.

Longer term, it means more attacks on Eisenhower by the Southerners in the House and Senate. Up to now, they have been rather temperate in their stand on Presidential requests. In 1952 and again in 1956, Eisenhower pulled a big vote in the South—had a high popularity there that influenced the attitude of Southern members of Congress. But the prospect is that this attitude will change. The big effort now will be to embarrass the President, and through him the GOP, politically.

Watch for an all-out attack on the President's record.

The effort will be to show a lack of White House leadership and to capitalize on this in next year's Congressional elections. The aim, of course, will be to expand the Democratic House and Senate majorities and then fight in the 1960 Presidential elections on the ground that Democratic control of the White House is essential to put an end to divided government.

Eisenhower's list of "wins" in Congress will be short. As a matter of fact, the Democratic House and Senate have voted only three major bills this year, not counting the regular appropriation bills.

The President got his Middle East Doctrine, early in the session. This was the blank check for Eisenhower to intervene with force if he felt this necessary to avoid a World War III growing out of the Suez crisis.

The White House won extension of existing tax rates on corporations and on a list of goods and services—extension of the old Korean War rates.

And it got a housing bill, which gives the President authority to cut downpayments and liberalize credit on home buying when and if he feels that this is necessary to stimulate homebuilding.

Eisenhower has won on spending, despite the fact that Congress has slashed many of his budget requests.

On foreign aid, Congress withheld about \$2.5-billion that Eisenhower asked for. But, actually, this won't curb foreign aid much for another two years.

On defense, there was another big cut. But now that the President, himself, is trying to hold down Pentagon spending to keep the national debt within its \$275-billion ceiling, the new appropriation bill won't cramp very much. In fact, it allows more than Eisenhower now wants to use.

Thus, you will have record peacetime spending this year—fiscal 1958. It will exceed \$70-billion, but may fall short of the \$71.8-billion first proposed by the President. Congress will claim credit for whatever saving is made, but actually it will result more from Eisenhower's economy orders.

The big political defeat of the session was on school aid.

This was the top White House program, ranking along with the big highway construction program that Congress voted last year. At the start

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
AUG. 3, 1957

of this session of Congress, Presidential aides put the school bill at the top of the things the White House wanted done. But the House killed the project—by five votes.

Eisenhower could have put the school bill across. Nearly everyone agrees on that. It's no problem for the White House to switch a few votes, using jobs and public works as a lever. It's been done since the start of the nation.

Why didn't Eisenhower drive the school bill over? The answer is well known here in Washington, among Republicans and Democrats alike.

The President was slow to buy the idea. But he was sold on the proposition of temporary aid. So, he bought it and backed it.

Then came the budget troubles. Spending for the current fiscal year started out at a rate that threatened to force a hike in the \$275-billion debt ceiling. Eisenhower was willing to forego the school aid bill.

There will be no labor legislation. Eisenhower would like to see the minimum wage extended to uncovered groups, but he isn't pushing this.

Democrats get credit for exposing corrupt labor leaders. This is a bitter pill for many GOP members, but it is a political fact.

Regulation of union welfare funds will be delayed. But this is one that Eisenhower may put over next year, ahead of the Congressional elections.

The spending down-hold will carry over into next year. Both parties would like to have a tax cut ahead of the Congressional elections, so will be inclined to go slow on reviving spending programs that had been stopped this year.

Hells Canyon won't be voted as a federal program. Democrats will bring it out again, but won't enact it. They will make a record for public power, but won't go so far as to vote the cost onto the taxpayer.

Other power projects are in the same class. These include the Fryingpan-Arkansas stream diversion and California's Trinity River Dam. The good chance given Niagara Power development to win an O.K. stems from the fact that this one won't cost the federal taxpayers anything.

—•—

The new Treasury Secretary, Anderson, will keep most of the old staff built up by George Humphrey, who retired this week.

The tax man will be Fred C. Scribner, Jr. elevated to the old post held by Folsom, before he became Secretary of Health, Education and Welfare. This promotion came before Humphrey left, but had Anderson's backing.

The Assistant Secretary for Information will be Nils A. Lennartson, another Humphrey man. Anderson has asked him to stay, which sets something of a record for a government PR man. Lennartson has served: Sawyer, as Secretary of Commerce; Finletter, as Secretary of the Air Force; Symington, as Secretary of the Air Force; and, Humphrey, as Secretary of the Treasury.

Battered by storms of dust and grime

THE WORKMAN IN THE ILLUSTRATION is cleaning a window just like that—an experimental shatterproof window of heavy-gauge Kodapak Sheet, of the type installed in industrial plants which dot the New York area.

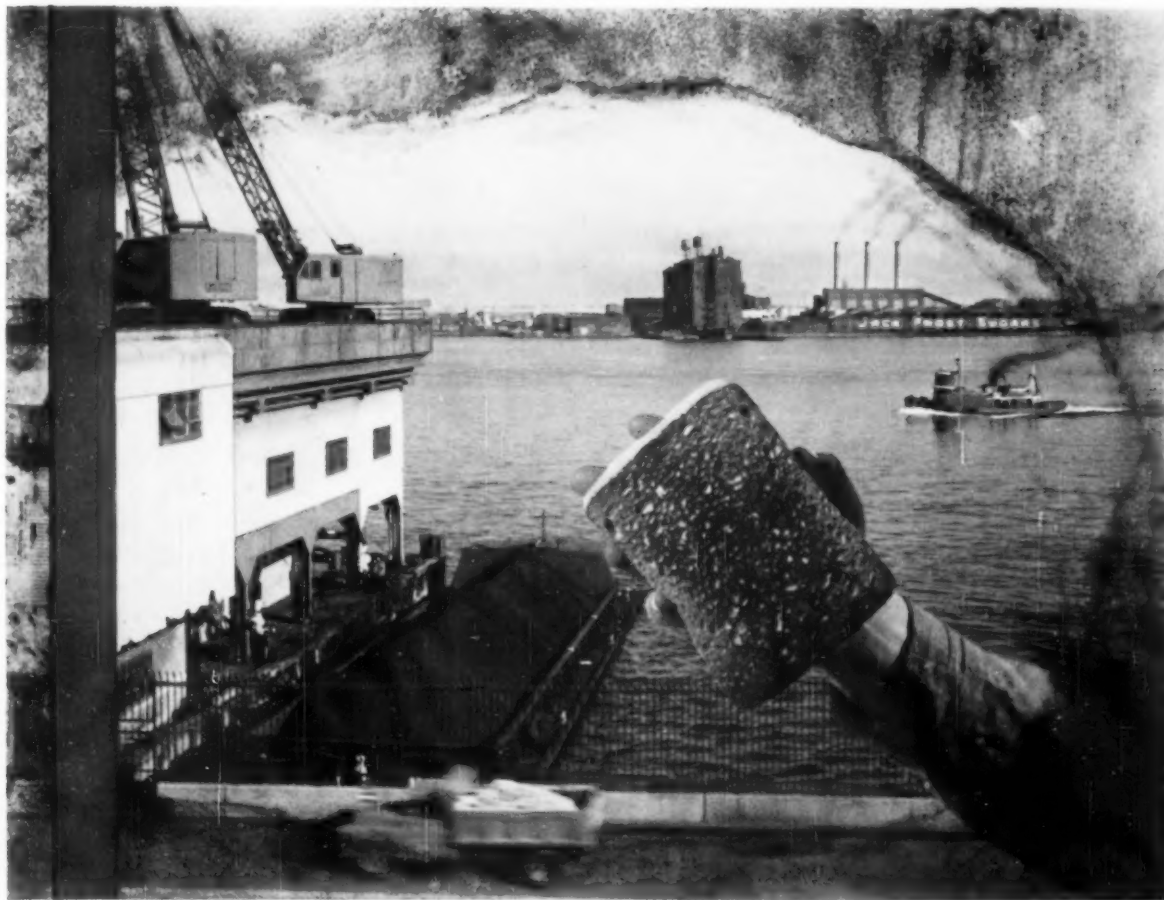
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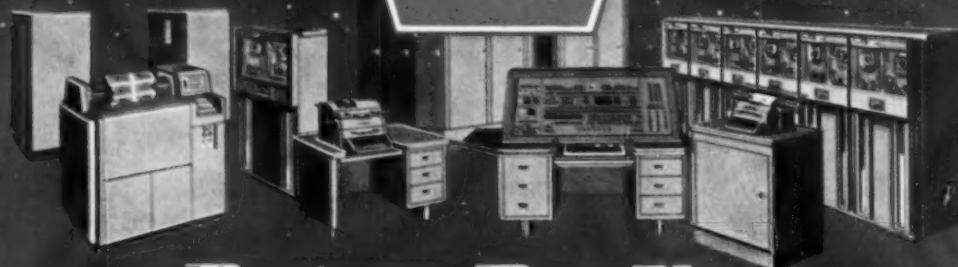
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MARKETING

It's not a boom, but we'll definitely beat 1956

New York department store

We expect a sales increase this year—but it will be the smallest in a decade

Cincinnati department store

The suburban branches are saving our hides

Philadelphia department store

We're over the hump

Louisville appliance dealer

I'm glad our store deals mainly with softgoods

Dallas specialty shop

We are buying hand to mouth, and we don't know what way the wind is blowing

Cleveland specialty shop

There'll be no upsurge in the rest of the year

Pittsburgh department store

Sales are a shade higher. We'll beat 1956

Seattle department store

Retailers See Light Ahead

Mostly, they say business is just so-so now, but with gains likely in the second half. Generally, branch stores outstrip the parents. But here, as everywhere else in the trade, you find plenty of exceptions and differences of opinion.

THE COUNTRY'S retailers last week sized up their 1957 performance so far. FOR BUSINESS WEEK, pronounced the first half O.K., but nothing to write home about. Putting on their seers' caps, most of them predicted a better second half, and a year that will beat 1956's record—by a very little.

It was not a unanimous pronouncement.

Plenty of individual differences show up from city to city, and even from store to store. One low-cost New York retailer reports a healthy 12% gain in stores that operated both in 1956 and 1957; adding in new stores, he has had a 30% increase so far. An other big retailer in the same city says, a bit doubtfully, "A satisfactory gain,

I think you would call it."

Many cities think a 1%, 2%, or 3% gain is too slight to count for much, especially when you take into account price increases (which, most agree, have been small). Thus, Dallas, Houston, and Philadelphia report merely that they are now just about where they were a year ago. In Cincinnati, Cleveland, Detroit, Louisville, and Milwaukee, most stores are dragging behind last year.

• **District Gains**—The latest report from Federal Reserve Board, which included the week ended July 20, put the national increase for big stores at 2% for the year to date. Biggest gains for the

"... more people would be in a buying mood if newspapers would quit reporting all the bad economic conditions, says a Cincinnati retailer . . ."

RETAIL SALES starts on p. 43

year come from the New York and Richmond areas, with 4% increases each. That's for the Federal Reserve district. Often the city proper didn't do so well, or even, as in New York City's case, reported a decline. But many districts have had sizable increase weeks against the same 1956 week during the months of June and July.

This pickup, and an indefatigable optimism, help explain why even the sluggish cities talk of a better second half. It's true that most predict only a tiny gain, but it ranges from "at most 1%" to 5% and 6% in a few cases. "This is the year of the plateau," Atlanta merchants find.

Some stores hang little red flags of warning onto their optimistic signposts. Says a Philadelphia store, "We're hoping for a better second half, but we're just hoping." Says a Chicago merchant, "If the auto manufacturers come out with something new and startling enough and cars are hot sellers this fall, softgoods won't be so good." Then he takes the plunge. "If we can stagger through the next four years, if anybody's half-way bright, he'll be getting those 10% and 12% increases again." "If we keep our fingers crossed," Boston retailers say, "we'll run somewhat ahead."

• **Saved By Branches**—Time after time, the branch stores have saved the day. In Denver, the suburban stores are doing better than the downtown shops. In Philadelphia, the branches "are saving our hides." In Detroit suburban business has "seldom been better," with gains ranging from 5% to 14%. A Boston store, with a 3% rise downtown, has had a 12% gain in its suburban branch. In Louisville, the stores with branches are holding their own. Those without are lagging.

Some of the older suburban branches and shopping centers find the going less smooth. One store in Philadelphia says its suburban stores are leveling, and the downtown store is picking up customers. Since some of the trouble stems from the smaller stocks that most branches carry, this store is enlarging its branches. Chicago, too, is dubious about planning more suburban centers. Here, again, the older branch stores are no longer gaining; there are already too many, too close together, merchants say.

• **Appliances Lag**—Whether in cities or the suburbs, appliances and hard goods generally are the worst laggards. In some isolated cases, appliances are moving briskly. A Yakima (Wash.)

merchant reports a big jump of 36% in appliance sales. But in such cases, it usually turns out that a change of personnel, a more aggressive selling policy, were behind the increase. TV isn't doing too badly in most places. Radio is doing better—and hi-fi got a special commendation for good performance in several places. Fans and air conditioners are selling in Philadelphia. Air conditioning is a best seller in Atlanta, but cities that have missed a heat wave found air conditioning trailing.

Home furnishings were spotty. In Pittsburgh, despite some ups and downs, furniture is ahead of last year. It got off to a roaring start, one New York store reported, but is now slowing down. Home furnishings are strong in Houston and in Los Angeles. In Knoxville and San Francisco they are lagging.

• **Delayed Reaction**—The appliance and home furnishings slowdown is simply the delayed reaction of a drop in new housing, says a Denver department store.

In most places, this is the year when softgoods are coming into their own. Women's apparel went to the top of the class almost everywhere. Men's wear was less reliable. A Denver merchant growled, "Homo Americanus is a sloppy poppy hereabouts. In some cities you see young businessmen correctly and smartly dressed, however hot the weather. Here you can hardly tell the businessmen from the tourists." Another merchant thinks that, when it comes to a choice, pop gives up the new suit for something for the home or the kids.

Most cities reported a gain in sportswear, though bad weather has hit summer apparel sales in Cleveland and Seattle. Strong sporting equipment sales reflect the U.S. consumer's insistence on having his fun. This is especially true on the West Coast, where items such as inflatable pools are booming.

Local situations account for some of the individual differences. Cutbacks in overtime pay are hurting big-ticket items in Detroit, Louisville, and some of the Midwestern cities. A Cleveland retailer says, "Overtime pay here is more or less a thing of the past. This makes new home furnishings and appliances luxuries."

Except for the pretty consistent strength of softgoods, there's not much agreement as to what is selling. There isn't much consistency either, as to price

ranges that are selling. Some specialty shops—men's wear, and women's wear—note that higher priced goods are doing fine. Yet a Cincinnati store says its basement is getting a bigger share of sales, and an occasional store is trying out a basement in its branches.

Some price increases at the manufacturer level are definitely in the cards, especially in hardgoods. But there's little disposition among most merchants to try to pass them on. Competition is too strong to allow much hiking of price tags, they say.


The consumer himself continues to worry some merchants. He has money but he doesn't want to spend it, they say over and over. "He has been 'saled' to death," a Knoxville merchant reports. He's bargain hunting, an appliance dealer says. He's beginning to show some sign of stiffer resistance to prices, a New Yorker believes. Cleveland merchants feel he has been oversold, and is riding out his present debts before he buys some more.

Cincinnati finds the consumer particularly trying customer. "Consumers entered the year in a cautious mood, and nothing has happened to change their minds," says one merchant there. Worry about the state of the economy is holding back buying, another Cincinnati retailer says—which jibes with the findings of the Survey Research Center of the University of Michigan, published last week (BW-Jul.27/57, p53). "More people would be in a buying mood if newspapers would quit reporting all the bad economic conditions," he grumbles.

Smaller merchants, especially, sometimes throw up their hands in despair of fathoming the market. "We don't know whether business is going to be good or bad," says a Seattle store. There's no basic reason for any real lag. The economy is sound enough. More than ever, merchants recognize that mood as well as economics makes the difference between sales and no sales.

• **"Close" Buying**—A first half that was "not good, not bad" has had one direct effect. Most retailers are buying with great circumspection. Few admit that they are carrying lighter inventories—but some say so quite frankly. "Sure, we're buying closer than we did last year," a chain store operator says. "Why shouldn't we? All the goods are readily available." Deliveries, nearly everyone agrees, are no problem. In fact, one merchant says, "Sometimes the goods get here before you order them." One West Coast store takes exception to that, though. "I am still amazed at the slow deliveries," he says.

• **New Independence**—The abundance of goods has had one interesting result, according to a small Cleveland retailer. In many cities, the smaller stores have fared worse than the big ones. But,



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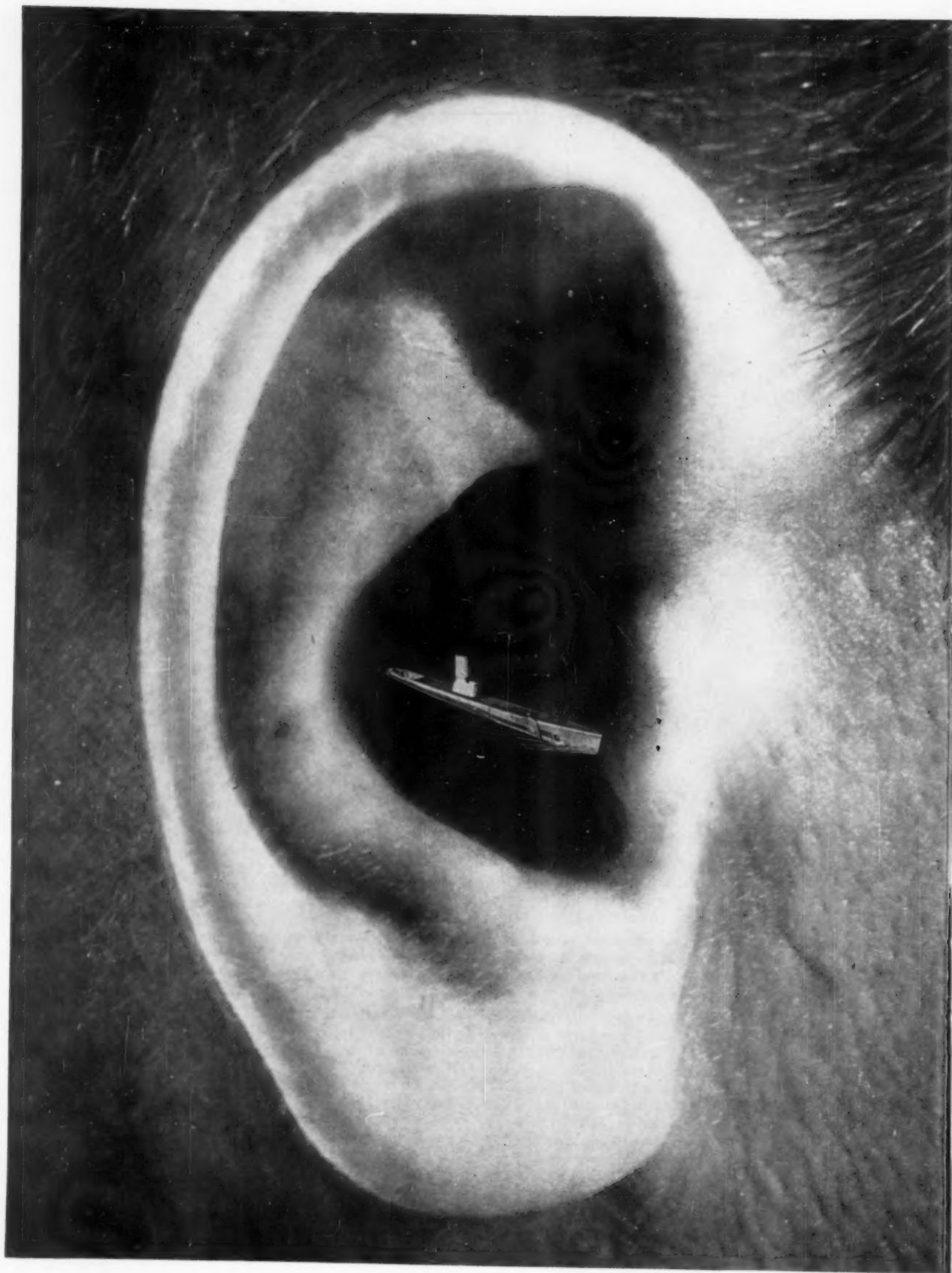


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"... some appliance dealers are stocking up now to beat anticipated price increases in the fall. . ."

RETAIL SALES starts on p. 43

says the Cleveland man, the small stores have netted one gain from the never-ending production flow. Manufacturers are wooing all outlets, big and small. Formerly, they would insist that a small store take a certain amount of a specified item, or they wouldn't sell him. Now the small retailer, too, can sass the manufacturer back, take only as much goods as he wants. If the manufacturer cuts off the flow of supply—well, there are plenty of other manufacturers. The result is that small merchants are going lighter on inventories. "We've carried the load long enough," the Cleveland retailer concludes. "Let the manufacturer carry it awhile."

Yet even in the inventory picture there are reverse trends. Some appliance dealers are stocking up now to beat anticipated price increases in the fall. A high-priced specialty shop in Louisville is buying more heavily, if anything. "You can't sell it if you don't have it," it argues. And the consumer's insistence on having a wide choice is forcing a Seattle department store to carry more, not less, inventory (BW—May 4'57, p62).

• **Obsolescence**—Some merchants are critical of the goods now being turned out. Manufacturers aren't making products that will excite the consumer's interest, they say. This criticism has cropped up before, especially in appliances, where some dealers felt that the producers' effort to create obsolescence had flopped (BW—Jul.13'57,p45).

Any sign of a speedup in sales can alter the picture. Merchants have their eyes glued to such vital statistics as incomes, installment credit, local conditions—Los Angeles is worried, for example, about the effects of North American Aviation's loss of the Navaho contract (BW—Jul.20'57,p28). Most of all, says a leading specialty store, you watch your own records. "What the consumer wants dictates what we do," this merchant says—whether it's a specific item or 18 months to pay.

• **Optimism**—Despite the occasional sour notes ("There'll be no upturn in the fall"), the current of optimism runs strong. The consumer has money—in fact, several cities note that cash purchases are growing faster than charges. One of these days he'll start spending more of it. "We think that time will come in the fall," a Philadelphia store concludes. **END**

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TD-24 "push" helps heap-load 20 cu yd into this International '75' Payscraper in seconds...to make time on a California highway job!

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clutching and braking to give safe, production-boosting speed on off-road hauling. Both have load-matching forward, and exclusive time-saving fast reverse speeds. And both are backed by 24 years of International heavy-duty truck leadership!

Whether you're a contractor, builder, or producer of basic materials like rock, minerals, timber, or oil... or "stake" those who are...look to International for job-matching, work-proven power-packages. International builds big-capacity, "work-anywhere" crawler tractors for heavy digging, loading, pulling, and pushing jobs...high-speed earthmovers...off-highway trucks...sideboom tractors...and a heavy-duty line of cost-cutting engines. See your International Construction Equipment Distributor for the specialized profit-building power-packages you need!

Climbing the 1,200-foot ramp that rises 100 feet from pit to primary crusher, this International '95' Payhauler averages a full load of shot granite every 8 to 10 minutes. Production of this unit: 1,000 tons per 7 hours!



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In Marketing

• • •

McGraw-Hill Expands Service For Scoring Effectiveness of Ads

McGraw-Hill Publishing Co. is expanding what it calls its Reader Feedback service designed to give (1) advertisers and agencies a means of evaluating effectiveness of their magazine advertising and (2) publishers a yardstick for measuring editorial content.

The service is directly competitive with such scoring devices as Starch and Readex reports now widely used in the magazine field. So far, Reader Feedback is being used by five McGraw-Hill publications, but in August an outside magazine, Rock Products, published in Chicago by Maclean-Hunter, will take on the service.

John C. Spurr, McGraw-Hill director of research, says that at present one or two more magazines may be added to the list.

• • •

Anheuser-Busch Plans New Brewery To Counter Schlitz Move Into Tampa

Like its St. Louis Cardinals baseball team, Anheuser-Busch, Inc., is running a close second to its Milwaukee rival—and both the ball club and the beer company are driving hard for the No. 1 spot.

Last week, August A. Busch, president, announced plans that should help the brewery to regain the ranking it lost to Jos. Schlitz Brewing Co. in 1955.

The company will build a \$20-million brewery at Tampa, Fla., on a 160-acre site just a half mile from a similar-sized brewery started by Schlitz this spring. Construction will start late this year or early next.

Meanwhile, sales of Anheuser-Busch—which ended 1956 at 5,865,000 bbl. against Schlitz' 5,940,000—were running ahead of a year ago during the first six months.

Busch himself would make no prediction whether the company could overtake its chief competitor, but he said the Tampa plant is another step in a decentralization that began in 1951. The Florida operation will give the company three breweries, including one in New Jersey and another in Los Angeles, outside the big St. Louis headquarters plant.

The company added that New Orleans also "is still very much in our plans for a new brewery."

• • •

Woman's Day Gets the Last Word; Court Finds It Didn't Violate Law

Woman's Day magazine, owned by and distributed through A&P, won a round in court last week when U.S. District Judge William J. Campbell, in Chicago, ruled that the magazine did not violate the Robinson-Patman Act.

About a year ago, 25 Chicago grocers and wholesalers brought suit against A&P, Woman's Day, and three food processors: General Foods, Hunt Foods, and Morton Salt (BW—Mar. 17 '56, p. 76). The charge was that the suppliers engaged in discriminatory practice by advertising their products in Woman's Day.

In effect, the plaintiffs held, the advertising was a rebate to A&P, which permitted the chain to sell at lower prices. The plaintiffs contended that other retail grocers did not get proportionately equal benefits. They also charged that the magazine's aim was to build store traffic through a captive audience.

The court ruled that the magazine existed by virtue not of advertising payments but of its "admitted high quality" as a magazine. It denied the captive audience charge. And it pointed out that the plaintiff stores had no similar magazines in which the suppliers could advertise.

The plaintiffs will appeal. They will contend that the only food advertisers in Woman's Day are food suppliers who sell to A&P. This charge carries the inference that a food supplier must advertise in the magazine if he wants to sell to the food chain.

A Woman's Day spokesman said the decision (if it stands up) will vastly improve the magazine's revenue picture, since the suit scared off some advertisers. For the Jan.-June, 1957, period, its \$2.9-million ad revenues represented a 23% drop from the same 1956 period. Other store-distributed magazines, such as Family Circle and Everywoman's Magazine, also showed sizable drops, while women's magazines over-all were gaining 8%.

• • •

Two Canadian Supermarket Chains Drop Out of Trading Stamp War

Trading stamp plans this week took a long step backward in Canada—then won another round or two in the U.S.

Two of Canada's major supermarket chains—Steinberg's and Dominion Stores, with its affiliated Thrift Stores—have called a halt to their stamp war in Ottawa.

On June 30, Steinberg's discontinued its T-N-T trading stamp program. This week Dominion Stores and Thrift dropped their Blue Chip plan.

Loblaws, another major food chain, also is reported to be planning to leave the stamp premium field in Ottawa in the near future.

In the U.S., the Tennessee Supreme Court upheld a ruling that a 2% gross receipt tax on stores using trading stamp plans other than their own was unconstitutional. And in Utah, Gov. George D. Clyde withheld action on a request by the State Board of Agriculture that trading stamps be outlawed.

What's more, while Steinberg's, Dominion, and possibly Loblaws have had enough of trading stamp promotion, two other chains—Independent Grocers Assn. and Clover Farms—plan to continue their programs indefinitely.

Officials of both IGA and Clover Farms summed up their stand: "We introduced the stamp programs to show our appreciation to our customers. We are continuing them. . . . Our stores have increased their business because of the stamps. . . ."

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Archaeologist Puts Over Idea

An expedition to the Himalayas gave Richard Mack (right) an idea for an improved back pack. But the business novice had to scale a mountain of financial and manufacturing troubles before his Himalayan Pak caught on.

IF THE PEOPLE in the picture seem to be bearing the loads on their backs without too much strain, it's because each of the burdens—from the skin diver's oxygen tank to the baby—is supported by a new type of back pack, made by Himalayan Pak Co. of Monterey, Calif.

The company is so named because the principles for improving the back packs were discovered on an expedition to the Himalayas by the National Geographic-Yale-Smithsonian group in 1948-49. A pack built on these lines was used in the final conquest of Mt. Everest in 1953.

The man in the foreground with the empty pack carries the heaviest load of all. He is Richard G. Mack, company president, who was hunter-trapper on the expedition. Seven years later, he founded a business based on his observations during the Nepal expedition that back packs could be improved. Since then, Mack has borne most of the burden of putting the small company on its feet—no mean task even for a Yale-trained White Hunter.

• **Greenhorn**—It seems incredible that in this age of labor-saving devices enough people carry things on their backs to make a thriving business for someone. But Himalayan, which claims to be the largest manufacturer of personal carrying devices and the only company specializing in the product, expects to gross about \$150,000 this year. What's more, Mack says it would come closer to \$500,000 if he could afford a budget for advertising.

Even more incredible is the fact that Mack's business survived at all, given his own lack of business background and the heavy mortality of new manufacturers in the sporting goods line. He studied archaeology at Yale. And, except for a short stint as a traveling salesman, Mack's business experience was almost nil. He had also put in a tour of duty as government propagandist in the Far East, and a disastrous turn at rice farming in California.

• **Poor Bets**—After his Nepal adventure, Mack married, and took a sales job in the family business, Pacific Coast Borax Co. (now U.S. Borax & Chemical Corp.). But after a year, he decided he didn't want to be a traveling salesman, so he joined the U.S. Information

Service and took his bride to Indo-China.

When he returned, in 1953, his father backed him in a rice-farming venture. Unfortunately, he picked a poor partner and the poorest crop year in the history of rice in California. Before the crop was harvested, Mack owed the bank \$500,000, and the deputy sheriff had repossessed both the family cars. Mack sold off the machinery and borrowed from his family and the bank.

• **Birth of an Idea**—Meanwhile, Mack was still thinking of an improved back pack, and in the winter of 1953, the idea of a company to make such a product began to take shape—although the company wasn't set up until nearly two years later.

Mack had made his first back pack the previous year, so that he or his wife could tote their six-month-old son around on their backs American Indian style when they went hiking or fishing. He called the back pack the "Hike-a-Poose." It was a 39-oz. amalgamation of aluminum and canvas that straps to the wearer's back. It looks much like a standard car seat for children, but the engineering is considerably different. Mack put all the principles he had learned in Nepal to work. For one thing, in the Mack packs, the weight rests partly on the lower back and you get an uplift from the legs. That is, your load is eased by an underneath lift as well as by suspension from free-floating, self-adjusting shoulder straps. Soon people were telling Mack he should manufacture the "Hike-a-Poose."

• **Scouting**—Throughout 1953, Mack built different models of back packs in order to patent them all at once. He felt that the Hike-a-Poose might be too offbeat for most people, so he turned to more traditional fields—big back packs for outdoorsmen, packs to carry radios and other equipment.

He also spent some time in Washington at the Interior Dept., getting the pack approved for sale or rent in national parks. At the end of the season, however, Mack's share of the total rentals at Yosemite was only \$2.25. But men who rented the Hike-a-Pooses racked up an encouraging number of outright sales.

Mack next turned his attention to another promising customer—the gov-

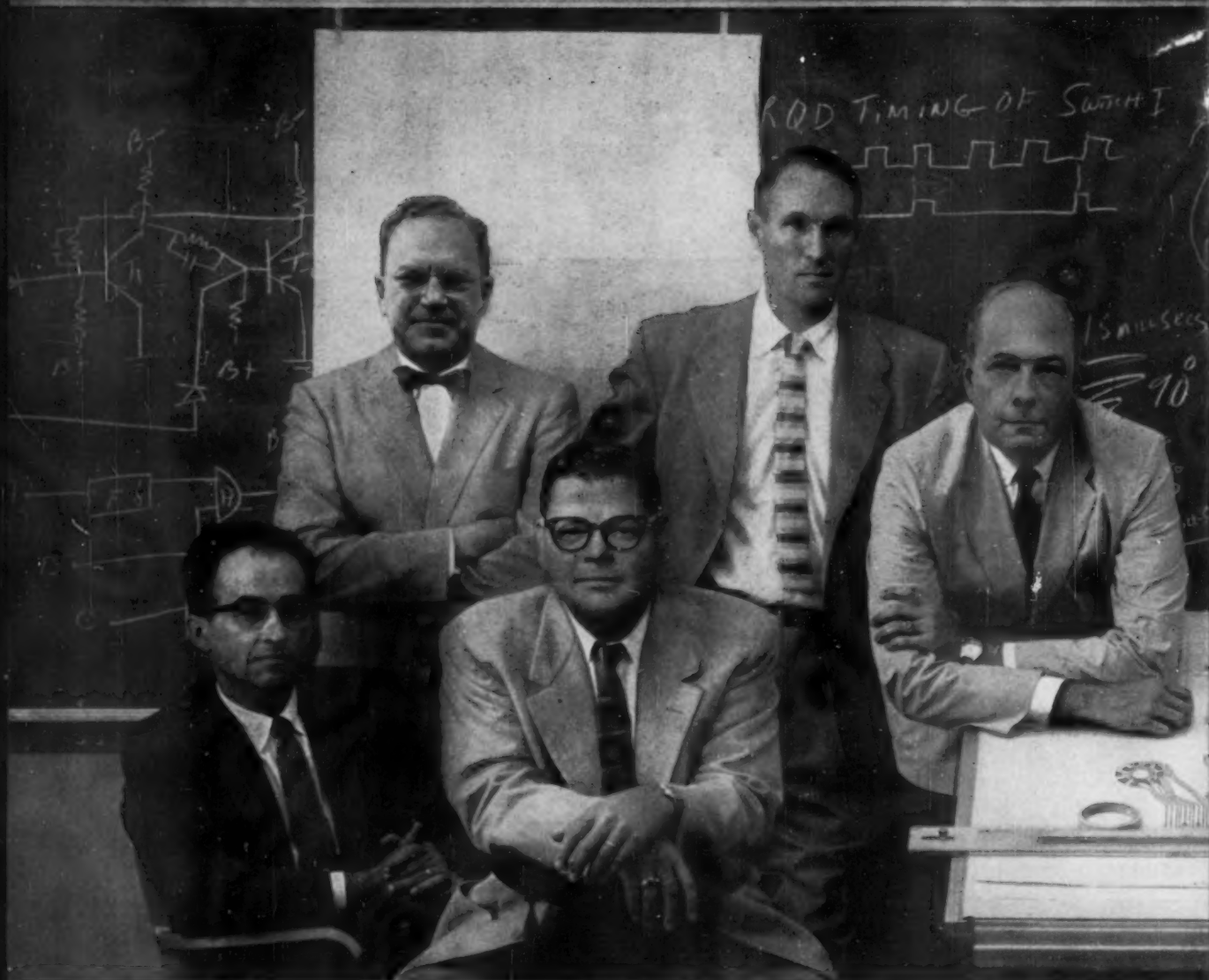


HIMALAYAN PAK resembles back packs used

for Easing Back-Breaking Loads

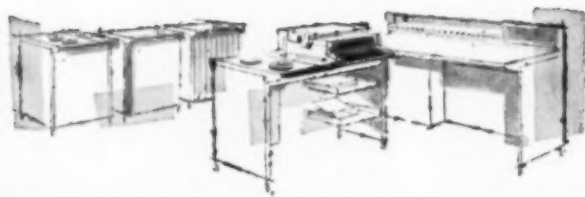


by native carriers in Himalayas. The weight rests partly on lower back, is eased by an underneath lift from legs.



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Automation gets a new look as Royal McBee, alone of all the major business machines companies, offers (1) machines and methods adaptable and affordable to companies of *all* sizes; (2) machines and methods which fit your business as it *stands*...as it *grows*; (3) office automation which is truly the servant of your people, not their master.

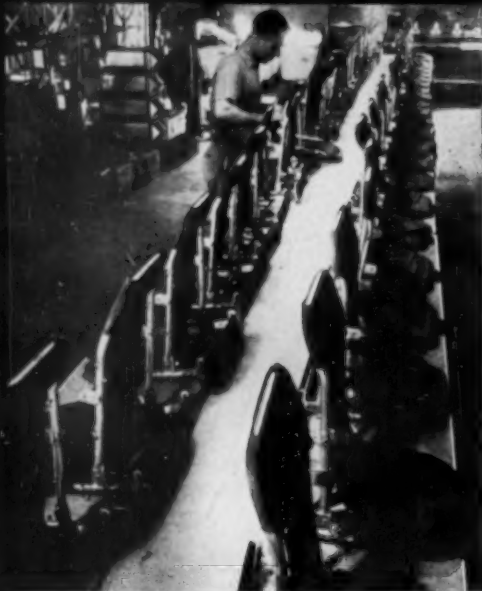
The power behind this promise combines (1) Royal's half-century of leadership in the manufacture of typewriters; (2) McBee's 25 years of pioneering in advanced accounting methods; (3) a vigorous research and development program.

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SHOP in Monterey is a production line, with only canvas and straps "farmed out."

(Story starts on page 52)

ernment. It seemed only logical to him that the Army would be interested in an improved carrying device for soldiers. Mack is still miffed that the Army hasn't given his company a tumble.

When he had spent more money than he could stand trying to drum up sales in Washington, Mack returned to California. Up to this time, he had subcontracted the entire operation of the Hike-a-Poose to an Eastern manufacturer, had handled sales himself.

This turned out to be a losing proposition. Mack paid the contractor more than he could sell the back packs for.

• **First Break**—In the spring of 1955, he exhibited his product at the National Sporting Goods Show, and it created considerable excitement.

By this time, he knew that he would have to manufacture all or part of the Hike-a-Poose himself if he were to make any profits. So he and John Hook, a boyhood friend from Carmel, Calif., opened up shop in a 1,400-sq. ft. storage shed in San Jose. Mack contracted out the canvas, but made the straps. He and Hook assembled the units at night, spent the day drumming up sales in the San Francisco Bay area.

• **Distribution Lines**—After the National Sporting Goods Show, Mack launched out after national distribution. He found that in the beginning sales were profitable for everybody except the manufacturer.

"The rules of distribution are made for mass production and until you have it, you don't make any money," Mack says. Even at their high commission, it was hard to get jobbers and the right manufacturers' representatives at first, he says. "We were fooled into going in with the guys who had the best

lines. They were content to let it prove itself."

While Mack has no love for the system, he figures the overhead would be enormous if he had to handle direct all the orders that are consolidated by the jobbers. In the first year, Himalayan Pak got distribution in 44 states and some international distribution.

• **Incorporation**—Mack now had \$500 in machinery in his side of the shop, and had invested \$8,000 in dies for the machine shop next door. Also, he had sunk \$20,000 in the business—\$6,000 trying to land government contracts; \$4,000 to secure patents; and \$10,000 loss incurred in dealing with the Eastern subcontractors.

Even so, business was encouraging, and Mack decided to incorporate.

He capitalized the company at \$200,000, hoping to sell at least \$150,000 in stock. But he raised only \$32,000 selling common at \$1 a share. He went ahead with his plans, but no sooner was Himalayan Pak incorporated than sales of packs fell off to nothing after the summer season.

• **New Product**—The day was saved by John Hook, who came up with a new product idea—one that could be sold in winter. This was a chair that is somewhat like a pack in construction. Some of Mack's packs are designed with two little legs that fold out in front.

Hook's idea was a chair using the same principles of design. It could be used for campers, as a child's TV chair, or as a crew seat in sailboats. Mack and Hook hustled the chair into production and sold 2,000 locally for Christmas. This bonanza allowed Mack to pay his most urgent bills.

The chair turned out to be a good seller, and the packs finally began to catch on. From August, 1955, to August, 1956, the company chalked up sales of \$23,000 but launching the company was expensive. For each of the calendar years 1955 and 1956, the company registered losses of \$32,000.

Mack solved each crisis by issuing more stock, borrowing from stockholders, and sometimes getting enough money back in sales to keep afloat. So far, the company has issued 70,000 shares, and has borrowed \$50,000 from banks and stockholders. Mack himself has sunk another \$15,000—including salary, which he has never drawn. He now feels he may break even in 1957.

• **Moving Day**—This year, Mack moved from the San Jose plant to an abandoned cannery in Monterey, Calif. "We needed more space because we had decided to do all the manufacturing ourselves, with the exception of canvas and straps, Mack explains.

To do all his own manufacturing, Mack added another \$17,000 worth of machinery, and spent \$4,000 to over-

haul the plant. Himalayan Pak now occupies 12,000 ft. of space.

Mack now feels that one big order would put the company in the clover. "In the beginning," he says, "the big buyers wait around for you to die."

• **Pepping Up Sales**—This year, Mack decided to improve sales of his chair for children by buying a franchise to use a Mickey Mouse label. This is a nice deal because it provides product identification. The drawback is that you have to pay \$5,000 advance royalty to Walt Disney Enterprises against the 5% of retail selling price royalties. That wasn't easy for a small company.

Mack's big problem today is to set up high-speed manufacturing. To that end, Hook is changing the plant layout. He and Mack want to find out what the maximum capacity is with present machines and people. Total employment is eight.

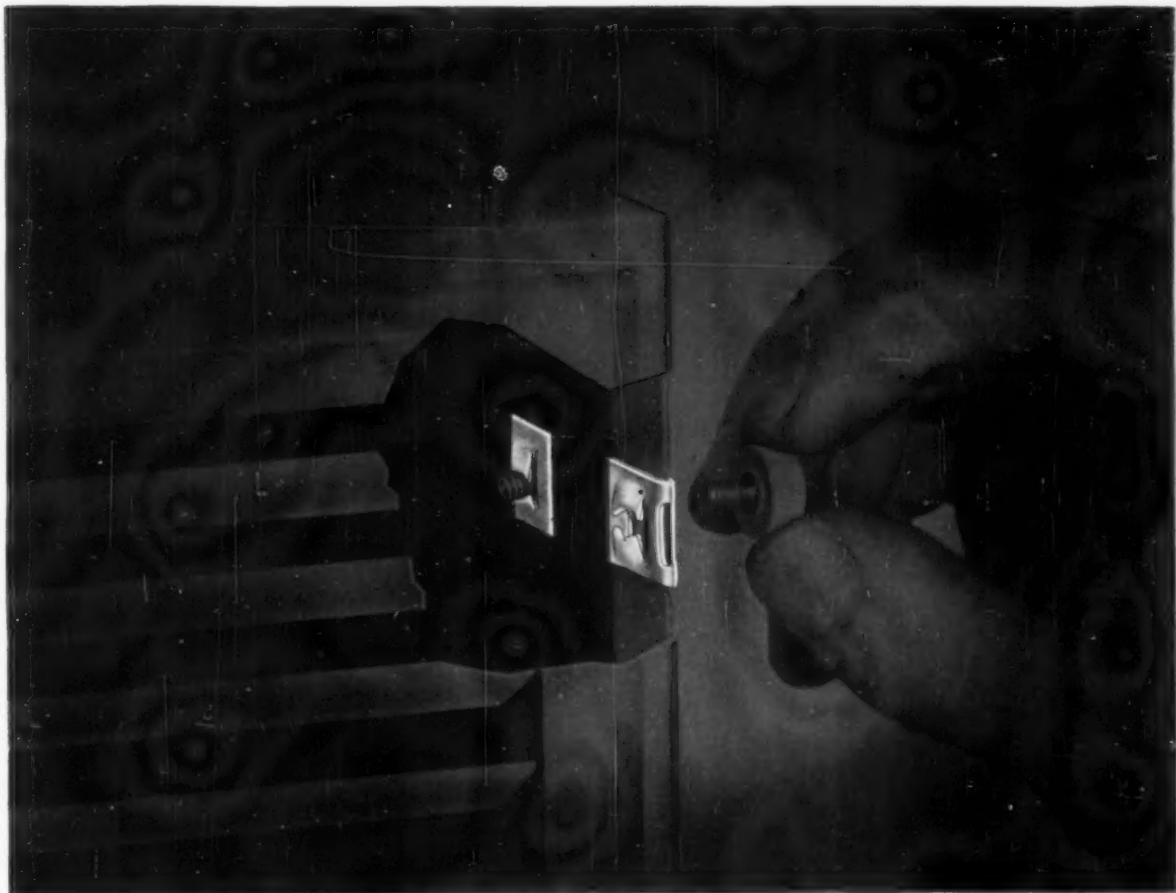
This year, about 60% of the sales are in chairs, 40% in packs. Mack expects the packs to become the big seller next year. He has just received approval by the Boy Scouts for his Everest Scout Pak. And, he says hopefully, "There are 5-million Boy Scouts and 1.5-million Girl Scouts." He also expects the packs to go well at Eastern summer camps. Foreign sales are brisk, too. One Swiss and two English companies have asked for licenses to produce the packs.

• **Industrial Lines**—Mack doesn't think it's good business to try to exist entirely on a standard consumer need, so he has borne down hard on development of industrial packs. One, built for National Cylinder & Gas Co., carries resuscitators that leave the rescuer's arm free. The U.S. Forest Service uses the pack for two-way radios. Pacific Telephone & Telegraph Co. supplies its linemen with Himalayan Paks, and lumbermen use them to carry chain saws in the woods. The company also has an Aqua Pak for the Navy to carry oxygen tanks and other equipment on the backs of frogmen. A commercial version is sold to skin divers.

• **Small Business Problems**—When you ask him how it works out to go into business without any previous experience, Mack says the best thing is to get good advice from friends who are in business. "Then you go ahead and learn by drastic mistakes, all of which grow out of your inexperience.

"We took ungodly chances at first because we didn't realize we were taking chances until it was too late to retreat," he says. For example, in 1956, he depleted the company's entire capital to buy raw materials, then had no money left to develop the sales program.

One of the problems of a small business, he says, is that every crisis is magnified because of the smallness and intimacy of it. You can't view anything with detachment, he says. **END**



6 SPEED NUTS® replace 10 fasteners ...and costs drop 80%!

Six Tinnerman SPEED NUTS replaced 10 weld nuts on the Gibson Window Air Conditioner... and production costs dropped more than 20 cents per unit!

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• • •

Kefauver Warms Up the Griddle For Hearings on Steel Price Hike

Sen. Estes Kefauver and his Senate Antitrust Committee will take on U. S. Steel Corp. and the factors behind the recent steel price increase next week—provided the civil rights debate doesn't interfere.

U. S. Steel's Pres. Roger Blough is scheduled as first witness in Kefauver's opening round of industry-by-industry hearings into so-called administered pricing. Kefauver wants to find out, he says, how big companies in some industries set prices and why they change them when they do.

Requests for information on prices and costs have gone out from the subcommittee to nine other big steel companies, and some or all of them may be called in after Blough and his team are through. AFL-CIO Steelworkers' Pres. David J. McDonald also has been invited to testify.

U. S. Steel apparently will be on the griddle for at least a week. But the planning is flexible: Depending on developments in the civil rights fight, the subcommittee may be able to hold only half-day sessions. And if objections rise to holding meetings while the Senate is in debate, the steel hearing may even be postponed.

Another giant company—General Motors—lost a round to a House investigating subcommittee in a fuss over allowing General Accounting Office auditors a look at its books on military contracts.

GAO, in a report to Congressman Hebert's House Armed Services Subcommittee, said that GM's division wanted to keep GAO men out of its records on an Army ordnance tank contract until production was finished. Hebert threatened to subpoena GM's chief, Harlow H. Curtice—after which the company said GAO auditors could come in.

• • •

Army Engineers Fight for Right To Operate St. Lawrence Seaway

The Army Corps of Engineers has locked horns with the St. Lawrence Seaway Corp. over which one is to operate and maintain the still unfinished St. Lawrence Seaway. The seaway is expected to be open to 14-ft. draft vessels by July 1, 1958, and to 27-ft. draft ships in the spring of 1959.

Army Secy. Brucker is trying to resolve the issue by persuading the Seaway Corp. to give the Engineers an operating contract. The corporation, however, wants to get out from under Defense Dept. domination by hiring its own operating staff.

The Corps of Engineers bases its case on a 100-year-old body of laws that gives it control of maintenance and operation of U.S. inland waterways.

The Seaway Corp. stands on the 1954 Seaway Act that directs it to build, operate, and maintain the water-

way. Administrator Lewis G. Castle notified the Corps of Engineers in May that its services would not be needed after 1958, when the corps will complete the job of building the project.

A precedent for settling the dispute was established this spring, when Brucker got the corporation to give the Coast Guard a contract for maintaining navigation aids.

Marine operator groups supporting the Army Engineers say the corps' experienced staff would result in lower operating costs. An Administration official suggests that they also hope that part of the operating costs would be paid out of the general budget, thus lowering toll charges. Castle maintains that the Seaway Corp. could operate with less overhead.

• • •

Military Contractors Propose Changes in Procurement Policy

An organization of leading military contractors this week proposed changes in the Defense Dept.'s procurement and industrial mobilization program.

In a report made at the Pentagon's request, the National Security Industrial Assn. endorses top Pentagon policy that planning based on the assumption of a military production buildup after a nuclear attack on the U. S. is "unsound." But the report stresses that mobilization plans make sense for "small, peripheral wars which will constitute a significant drain on the national resources."

The NSIA report also makes these points:

- Prime military contractors should be allowed to "perform their production and servicing tasks with a minimum of military supervision, direction, and "control."
- The government should get "proprietary information" from military contractors only "through negotiation and agreements."
- Multiple sources of production should be established only after the original producer is given the option of setting up a new plant or licensing a second source of supply.

• • •

First Atomic Ship Scheduled To Sail the Seas in 1960

The world's first nuclear-powered merchant ship should be "sailing the oceans" in 1960. That's what Maritime Administrator Clarence G. Morse told industry and government representatives this week at a symposium on nuclear-powered ships held by the Maritime Administration and the Atomic Energy Commission.

A \$9.8-million contract was awarded in April to Babcock & Wilcox to design and build the ship's atomic engine. Contracts for building the rest of the ship are expected to be let this fall. Keel-laying should take place in the spring, with the launching about a year later.

After the passenger-cargo vessel has been put through a series of tests, a private shipping company will be selected to operate it.



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TELEVISION'S FINEST LIVE DRAMA
ALTERNATE SUNDAY EVENINGS





ALUMINUM COIL 96 in. wide weighs eight tons, is widest ever rolled on a cold mill. Alcoa hopes these new wide strips will find a market in the transportation industry.

Aluminum

Alcoa, concerned about overcapacity in the aluminum industry, thinks its new facilities for wrought aluminum products (pictures) will open new markets.

IT'S A HEALTHY THING to have a little overcapacity once in a while." So says William Mitman, manager of sheet and plate sales for Aluminum Co. of America, whose recently expanded works in Davenport, Iowa, (pictures) are a sample of what he's talking about.

But overcapacity doesn't seem to worry Mitman or the industry. Says he—perhaps a bit like whistling in the dark: "It shows that the industry has sufficient capacity to meet the demands of new markets, assures its customers adequate supply, and is evidence of the ability to turn out high quality material in a steady, diversified stream." And despite the excess capacity, the industry this week hiked its prices (page 28).

• **Aluminum Aplenty**—There's little doubt of the abundance of aluminum—and of facilities to produce even more. In the first six months of 1957, primary production declined 5% from 1956. Yet capacity is at an all-time high—some 1,775,000 tons annually—and expansion projects now in the works will bring it to more than 2.6-million tons annually within the next few years (BW—Mar. 30'57,p190).

But the growth in primary production capacity doesn't tell the whole story. Just as blast furnaces are only a small part of the steel industry, the pot-lines in an aluminum smelter, producing metallic aluminum from alumina, are only the first step in readying the metal for market. Some pig aluminum is sold as such, but four times as much goes to market as wrought metal—foil, sheet, strip, plate, extrusions, and forgings. So the industry has to expand its capacity to turn out these wrought products. About four-fifths of Alcoa's total primary production now goes through such facilities. As a result of this trend, an aluminum plant tends to have more and more in common with a steel industry installation, with its heavy, complex gear.

• **World's Biggest**—At least in area—72 acres under roof—Alcoa's Davenport works is certainly the equal of many steel mills. It's currently the largest aluminum plant in the world, but Kaiser's Ravenswood plant in West Virginia, now under construction, will soon be a rival. Davenport began operating in 1948, with a rated capacity of 18-million lb. of sheet and plate per month. This summer, a \$54-million

Expands to Take Up the Slack

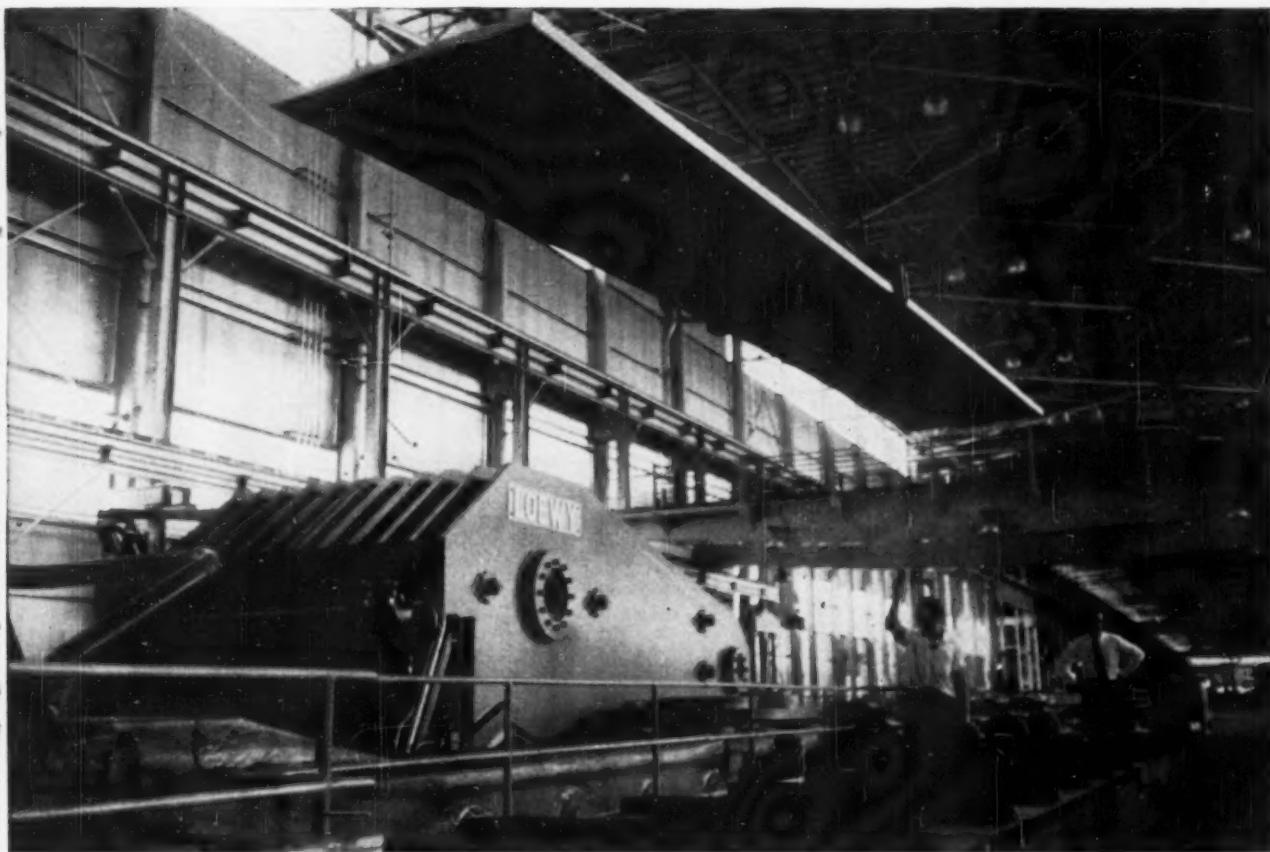
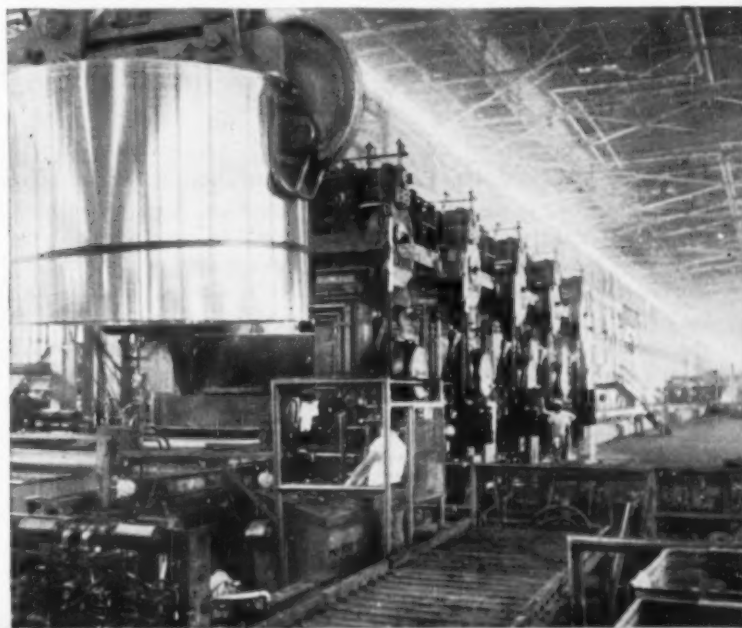


PLATE STRETCHER in Alcoa's expanded Davenport, Iowa, plant can exert 16-million lb. of tension on a thick aluminum plate.



HOT ROLLING MILL (left) can turn giant aluminum ingots into plate 6 in. thick and 13 ft. wide. It's biggest such mill in industry.

CONTINUOUS MILL with five stands takes hot plates directly from mill shown at left, rolls them into thin aluminum sheets.





Steel that goes into this bumper, being installed on one of America's fine cars, is ordered and tested to rigid specifications. The steel must be exceptionally clean, bright, flat, and with no surface defects. It must have close chemical analysis and internal qual-

ity so it will draw deeply without "orange peel." The company installing this bumper is so careful that in the last $\frac{1}{2}$ million bumpers it has scrapped only $\frac{1}{2}$ of 1% due to metal failure! Pittsburgh Steel's sheet constantly meets these exacting specifications.

Pittsburgh Steel's quality standards pay off
as automakers in a highly competitive market demand...

Better Sheet Steel For Making Bumpers

Today, the makers of America's better cars are more than just critical when they specify steel for making bumpers. They realize that the broad and complex chromed areas front and back on their models must enhance the appearance of the cars if they expect to beat competition in today's tight market. They demand the best, and then test exhaustively against strict specifications to make sure they get it.

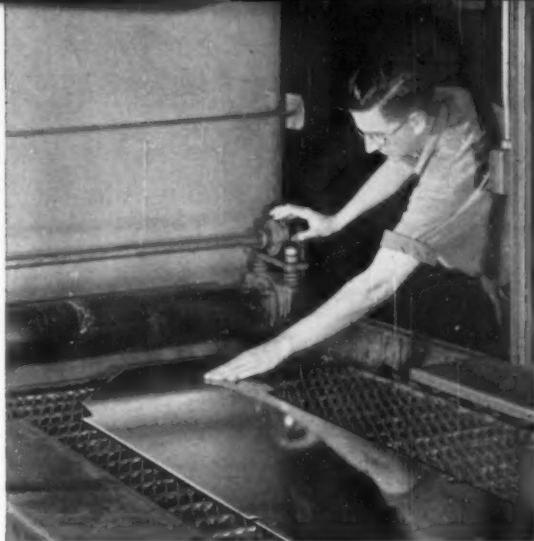
That's where Pittsburgh Steel Company shines. With its outstanding new cold rolling facilities backed

up with the latest technology, it daily produces sheet for a variety of the toughest applications. When an automaker says of its bumper stock that yield must be held to 30-33,000 psi, and elongation must be 38% before failure—that's duck soup for Pittsburgh Steel. Orders like this come from one company that prides itself on less than one-half of one percent of scrap due to metal failure in the last half-million bumpers!

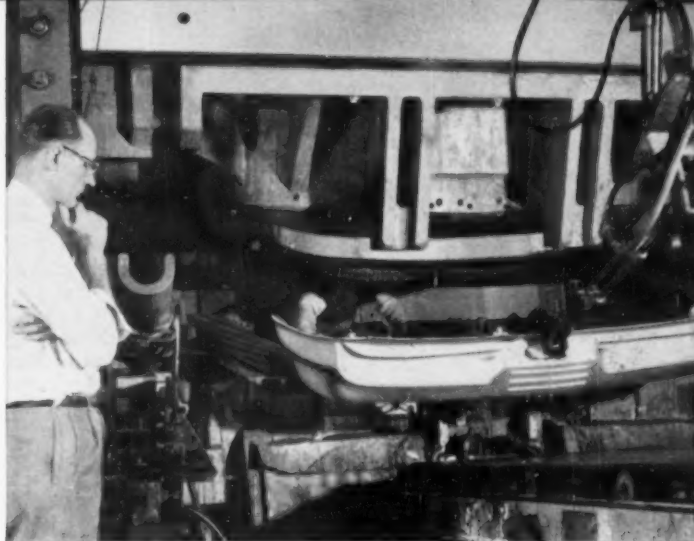
One bumper plant inspector put it this way: "We have to be especially careful to watch steel quality because,

although the draw isn't unusually deep on wrap-around bumpers, it is very critical since it involves complex bends up to 120°. And even the tiniest stretcher-strain marks or other defects would show up like a sore thumb under the bright chrome finish."

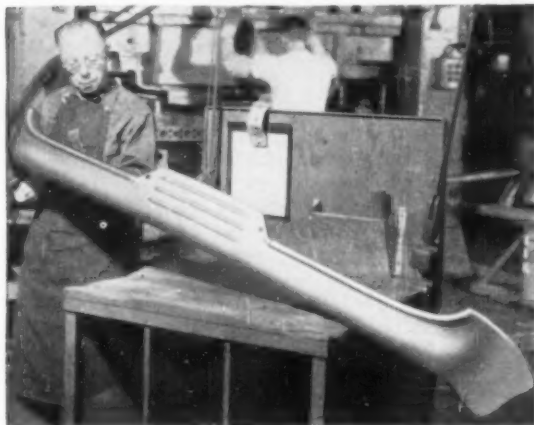
If Pittsburgh Steel's sheets can meet standards as high as these, they can help you solve your forming problems, no matter how tough they may be. When you buy from Pittsburgh Steel you can always be sure you are getting sheet that has:



Grinding provides a surface finish which must not deviate more than 10 micro inches and since rarely more than 2% is taken off, the original sheet surface had to be excellent.



The draw of this massive press is critical since complex angles up to 120° must be achieved without steel failure. Sheet steel supplied by Pittsburgh Steel Company has excellent formability which stems from good internal quality.



After all drawing and stamping operations are complete, each bumper is carefully inspected before going to the plating line.



Each bumper gets a last close look after plating. The bright finish magnifies any defects so the surface must be perfect.

- **Superior Internal Quality**—proper uniform grain structure free from flaws and subsurface imperfections.
- **Good Surface**—clean, bright and smooth—free from scratches, pits and slivers.
- **Flat and Uniform**—consistent from sheet to sheet to save you scrap.
- **Formability**—excellent capacity to withstand deep drawing.

There is an experienced Pittsburgh Steel Company sales engineer as close to you as your telephone. He is at your service—eager to help you solve your toughest sheet problems.

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Philadelphia

Pittsburgh
Tulsa
Warren, Ohio



INGOTS weighing up to 15,000 lb. await trip to rolling mill from storage yard.

plant expansion was completed, and this upped capacity to about 36-million lb. monthly—more than the entire industry's primary production capacity in 1939. But it represents only half of Alcoa's rolling capacity.

However, tonnage capacity is difficult to measure, because it depends on the end product. For example, 6-in. plate can be rolled out a lot more quickly than $\frac{1}{8}$ -in. coiled strip. And the Davenport works is prepared to roll everything from the thinnest foil to 6-in. plate—the thickest ever rolled.

The aluminum rolling equipment at Davenport is the newest and biggest in operation. It can roll out sheet and plate wider and longer than any other mill in operation, for applications such as building panels, truck bodies, and aircraft wing skins. Because of the mill's size, Alcoa has begun to use larger ingots, heavier handling equipment, and new casting techniques.

• **Through the Mill**—The Davenport mill's raw material—aluminum pig—comes by barge from Alcoa's primary aluminum producing facilities in Texas. In the plant's block-long melt shop, the pig is melted and alloyed, then cast into ingots weighing 5 to 15,000 lb. The heaviest ingots—three times the size of an equal weight of steel—are 16 in. thick, 5 ft. wide, and 13 ft. long. After casting, the big ingots run through milling machines with circular cutters 8 ft. in diameter for "scalping"—shaving half an inch off the surface, with no more

trouble than it takes a housewife to slice a cube of butter. From that point on, aluminum rolling really begins to resemble the comparable process in a steel mill.

The ingots are heated to rolling temperature in a bank of 22 soaking pits. Then they go to the \$4.2-million hot line. In only a few passes, the rolling mill's 160-in.-wide rolls can reduce an ingot to a chunk of plate 6 in. thick, 12 ft. wide, and 60 ft. long. However, because few customers need 6-in. plate, most of the output is rolled to 4-in. thickness and either trimmed in preparation for more rolling or cut into plate.

The big mill's roll-out table leads directly to a 100-in. continuous rolling mill with five stands, so that the plate can be rolled to thin sheet without intermediate heating. In effect, the five-stand continuous mill is five separate rolling mills synchronized to reduce the strip progressively as it passes through. After this mill has finished its job, the metal is either cut into sheet or coiled into strip. Before it can be shipped, it is heat treated to relieve internal stresses, or set aside for slitting or further rolling.

• **Another First**—For coiled strip, Alcoa is just beginning to operate a cold strip mill 100 in. wide—the biggest in the industry. The metal gains strength for structural applications from being worked cold. According to Alcoa, the cold mill was built specifically to encourage the use of aluminum in one major market—truck bodies. After trimming, the coiled metal is about 96-in. wide, and that's wide enough to make a truck roof in one continuous piece.

Alcoa hopes to sell a lot of the wide cold rolled strip to the construction industry for building panels.

About \$12-million worth of the new equipment at Davenport was installed for the Air Force to produce thick plate for aircraft wing skins and spars. This equipment includes:

- The world's largest tapered plate mill, which can roll a plate gradually increasing in thickness from one end to the other (BW—Jun.29'57,p168).

- A plate stretcher that can exert a 16-million lb. pull to straighten thick plates after heat treatment.

- A huge heat-treating furnace that can handle chunks of metal 13 ft. wide, 60 ft. long.

For Alcoa's newest consumer product—aluminum foil—eight 66-in. foil rolling mills have been added to the Davenport plant. This is the company's first foil facility in the Midwest.

• **Automatic Thinker**—Alcoa is now installing a multimillion-dollar Univac computer in Davenport to simplify the incredibly complex job of handling orders, scheduling production, and ac-

counting for the thousands of combinations of plate, sheet, strip, and foil in varied alloys and temper designations. It will take three years to finish the slow job of converting to computer operations, however.

Although the new rolling equipment is highly automatic, Alcoa figures it hasn't significantly changed the output per worker at the mill. With slightly more than 2,200 employees, the \$130-million plant boasts about \$45,000 worth of plant and equipment per production employee—compared with an average of about \$13,500 for all U.S. industry.

Under the plant's acres of roof, population density at any one time averages about 10 employees per acre—which may be a record. In fact, the plant is so spread out that the company maintains a fleet of bicycles, three-wheeled motor scooters, and jeeps to haul personnel between departments. "When we first opened up," recalls one superintendent, "our biggest trouble was sore feet."

• **Slack Capacity**—At the moment, the Davenport plant is loafing along at about 70% of capacity, while Mitman and his salesmen try to crack some of the promised new markets. Mitman, convinced he can take up the slack, looks for continued increase in use of sheet and plate by the transportation industry.

"The marine field is using a lot more of the metal," he says, "both in large ships, for superstructure and decks, and in small boats, which are taking a surprisingly big chunk of our sheet business."

The automobile industry so far uses relatively little sheet and plate, compared to the amount of aluminum it buys as castings. But it may start consuming more wrought aluminum than even the industry dares hope. Says Mitman: "We'd made an optimistic—we thought—estimate that we would get an average of 4 lb. of aluminum sheet or plate in the average automobile for 1958. But the auto industry fooled us. It will be closer to 8 lb."

Mitman anticipates that consumption of foil—for household use, packaging, and insulation—will double by 1960.

"And we can see fantastic growth in our sales to private housing," he continues. "Now, there are only 35 lb. of aluminum going into the average residence. We see no reason, because of aluminum's inherently good properties, why we can't eventually push that figure up to 1,000 lb. or more per house, by promoting the use of aluminum building panels, window frames, insulation, and appliances."

"If our calculations are right, we'll have to build another Davenport in the early 1960s." **END**



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frame of mind. Care to let us prove what they say? Just ask a Sales Engineer.

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NEW PRODUCTS

A Truck That Rolls Along on Rubber Bags

The Eskimo idea of using inflated sealskin bags to transport heavy loads over soft, boulder-strewn beaches has gone commercial. Albee Rolligon Mfg. Corp. of Monterey has come out with a 7-ton off-the-road truck that uses the Eskimo idea. The truck, which moves on six 40-in. by 50-in. soft bag-like rubber tires, is the first commercial adaptation of the Eskimo engineering trick. The Army already has a cargo-personnel carrier using Rolligon tires, (BW—Jun. 4 '55, p150), which are manufactured by the Goodyear Tire & Rubber Co.

The bags can be inflated or deflated from the cab. All are powered individually by a 12-in. top driving roller mounted over them. Because they are designed for off-the-road conditions and take little punishment because of low pressure, the bags are expected to last as long as regular tires on any truck of similar size and capacity.

The truck has a 185-hp. Chrysler V-8 engine, can haul a payload of 14,000 lb. when the bags are inflated to 5 psi.

In recent tests, the Rolligon cruised through swamps, scaled 80% grades in sand dunes, climbed over rocks, logs, and rough ground (picture). It traveled at speeds up to 41 mph. It even ran over several human volunteers without injuring them. For amphibious use, it gets its power from the whirling bags. Cost will be about \$29,000. For faster aquatic travel, there is provision for a propeller and shaft.



Five-Ton Camera for Industrial Snapshots

The camera in the picture is a five-ton job that measures 30 ft. long and 8½ ft. high. Robertson Photo-Mechanix, Inc., Chicago, designed and built the big camera for the Convair Div. of General Dynamics Corp., San Diego, Calif. Convair will use the giant piece of equipment, which cost \$50,000, to reproduce highly accurate templates that will serve as patterns for jet aircraft components. The camera has an accuracy of 1/2,000th of an inch in reproductions up to 5 ft by 12 ft.

Without the camera, Convair had to transfer the patterns from the drawing board to the metal by actually redrawing them. This method can result in lines being improperly drawn or left out. Now the drawing is projected onto a sensitized metal plate, which can be cut out and used as a template.

The camera can support steel or alu-



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Introduced exclusively by the R-P&C Division of ACCO, electric furnace iron provides cast iron of a quality that meets the most rigid requirements for pressure valve castings.

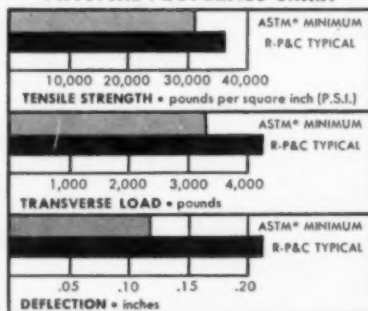
R-P&C electric iron is more corrosion-resistant. Its physical properties far exceed the minimum standards set by specifications to which they must conform (*see chart*). This iron is melted and refined under close metallurgical supervision. It has a balanced chemical composition plus a tough, dense body structure. *That is why all cast iron parts of R-P&C Valves are made of electric furnace iron.*

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New structural projects where quality is a prime requisite are turning more to R-P&C Electric Furnace Iron Valves. Modern industrial,

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PHYSICAL PROPERTIES CHART



*American Society for Testing Materials

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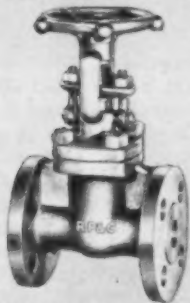
The R-P&C Line is Complete

The completeness of our line is another strong factor in favor of specifying R-P&C Valves...available in gate, globe, angle, check and bar stock types...in a full range of sizes and pressure classes...made of electric furnace iron, bronze, forged steel and electric furnace cast steel. We also produce specialties such as Lubrotite gate valves, asbestos packed cocks, and pressure-seal electric furnace cast steel valves.

Universally Available

For dependable valves to fill all your needs, look first to the nearby R-P&C Distributor. Our distributors carry ample stocks at all times; they are experienced, well-informed valve people; and, they are within easy calling distance, wherever you are located.

Another great new
R-P&C product—
the improved
**FORGED STEEL
GATE VALVE**



Completely new construction features now make R-P&C small Flanged Steel Gate Valves much lighter... provide better service, plus a high safety factor. R-P&C offers valve users a complete Forged Steel Gate line—for general and special services.

**ACCO Divisions serve all industry
through the widely diversified
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Tru-Lay Push-Pull Controls • Brake Controls

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THE BRISTOL COMPANY OF CANADA LIMITED

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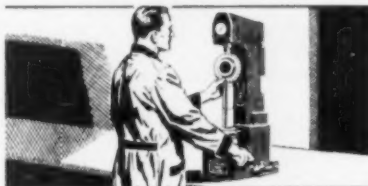
IN ENGLAND: BRITISH WIRE PRODUCTS, LIMITED

THE PARSONS CHAIN COMPANY, LIMITED

**Why ACCO products
mean better values**

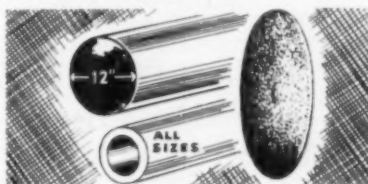
Our research, designing and manufacturing facilities are devoted to making ACCO products "intentionally better" in on-job performance. Year after year, re-orders from our customers attest ACCO's Better Values.

**BELOW ARE ILLUSTRATED A FEW OF
THE MANY OTHER ACCO PRODUCTS**



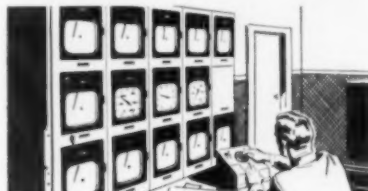
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To meet laboratory or production requirements. The world's standard of hardness accuracy.



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Handle a wide range of shapes and materials, including solids up to 12". "The best way to cut many materials...the only way to cut some."



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For information on any ACCO product, address Market Development Department, American Chain & Cable Company, Inc., 929 Connecticut Avenue, Bridgeport, Connecticut

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ACCO





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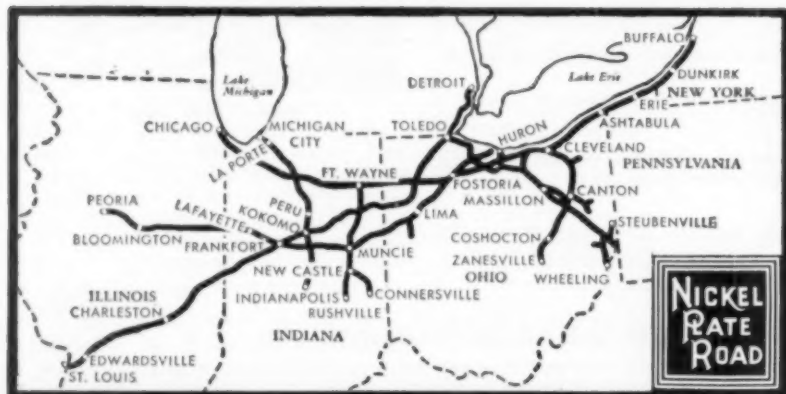


Thinking about locating a plant in Ohio, Indiana or Illinois? Then check Nickel Plate's survey service.

NKP has information on available sites—plus facts on utilities, taxes, transportation and other data you'll need to know. In fact, every NKP survey is tailor-made to *your* requirements.

Let NKP know those requirements. Please contact M. H. Markworth, Nickel Plate Road, 1402 Terminal Tower, Cleveland 1, Ohio. MAin 1-9000.

I had to find a plant site...
NKP SURVEYS MADE MY JOB EASIER



minum plates weighing up to 250 lb., and can be focused manually or electrically. A 5-hp. motor holds the copy in place.

Robertson believes the field for photomechanical equipment is virtually unexplored. New uses for the equipment are constantly turning up in tool rooms, aircraft plants, offices, and virtually every phase of industry, the company says.



Easier Fire Fighting

Dry-chemical fire extinguishers have been chipping away since 1950 at the market held by the carbon dioxide type in fighting fires in electrical equipment or flammable liquids. This year the dry chemicals will have close to half the market, and by 1962 they should pull ahead, in the opinion of planners at Walter Kidde & Co., Belleville (N.J.) maker of extinguishers.

In a bid for an increased share of the growing market, Kidde got together with Henry Dreyfuss Associates in New York to design the extinguisher pictured above, which comes in 20-lb. and 30-lb. sizes, costing about \$65 and \$85. The extinguishers include several new or improved features.

- A pressure gauge recessed into the top gives a constant check on whether the chemical is at the required 225-250 psi.

- The trigger safety lock on the discharge horn is automatically released when the horn is pulled from its clamp.

- The extinguisher has been carefully balanced to make it easier to handle for women and children. **END**



Celebrities of the Ad Pages

Few personalities are better known than the Schweppesman, Commander Edward Whitehead, and the man in the Hathaway shirt, Baron Wrangell. Unlike most celebrities who have achieved prominence through such conventional avenues as politics, sports and entertainment, Commander Whitehead and Baron Wrangell have become famous through the ad pages. Which proves, for something like the millionth time, the power of printed advertising.

Wherever you find outstanding printed advertising, you're apt to find Oxford Papers. They are used by the best printers and lithographers. There are more than 25 grades from which to choose. If you'd like to know more about them, call your nearby Oxford Merchant or write our nearest office.

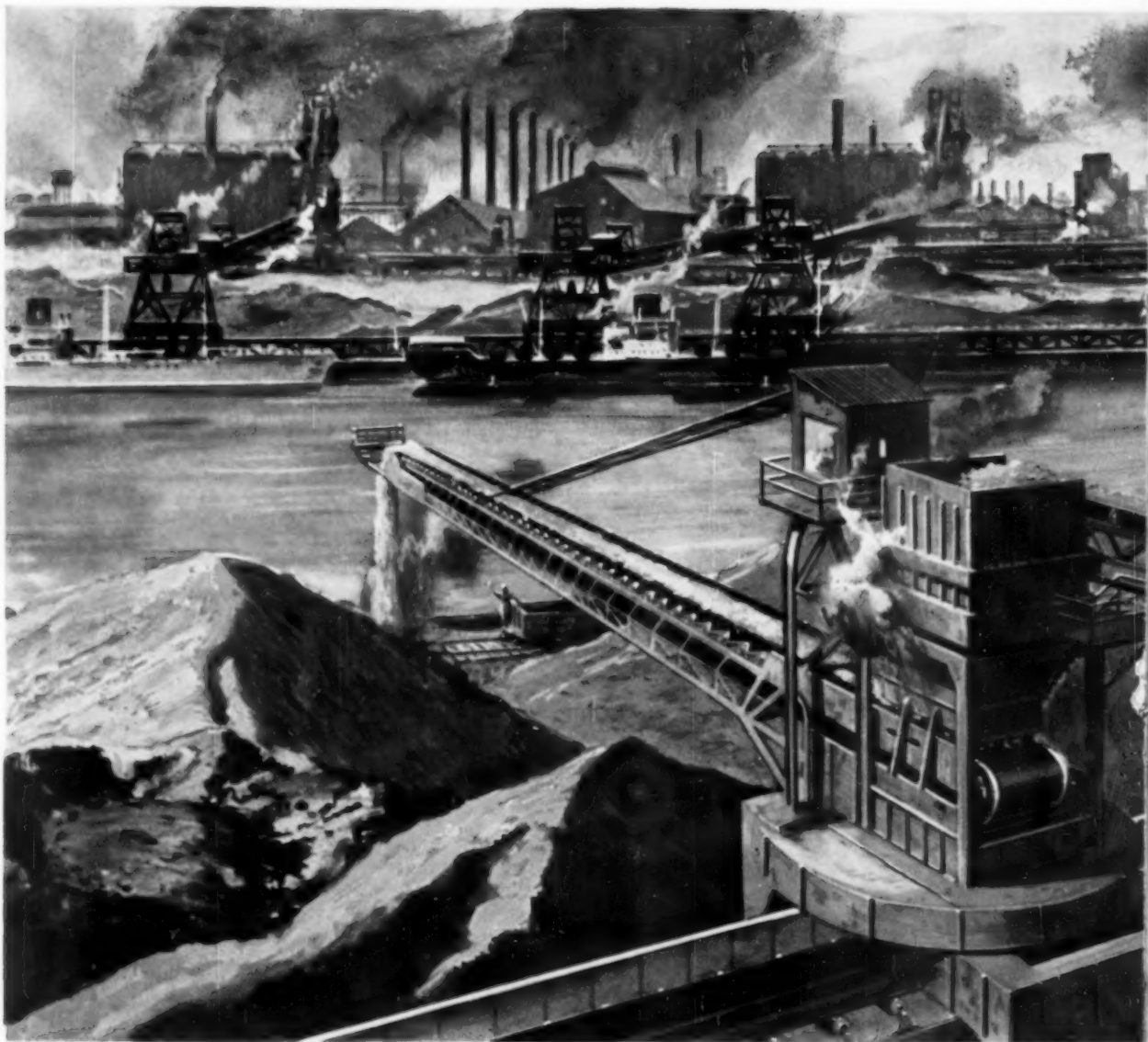
OXFORD PAPER COMPANY
OXFORD MIAMI PAPER COMPANY

230 Park Avenue, New York 17 ★ 35 East Wacker Drive, Chicago 1

PRINTING PAPERS FOR BOOKS, MAGAZINES, COMMERCIAL PRINTING, BUSINESS FORMS AND PACKAGING

Oxford Papers
Help Build Sales





"PUT AND TAKE"- AT

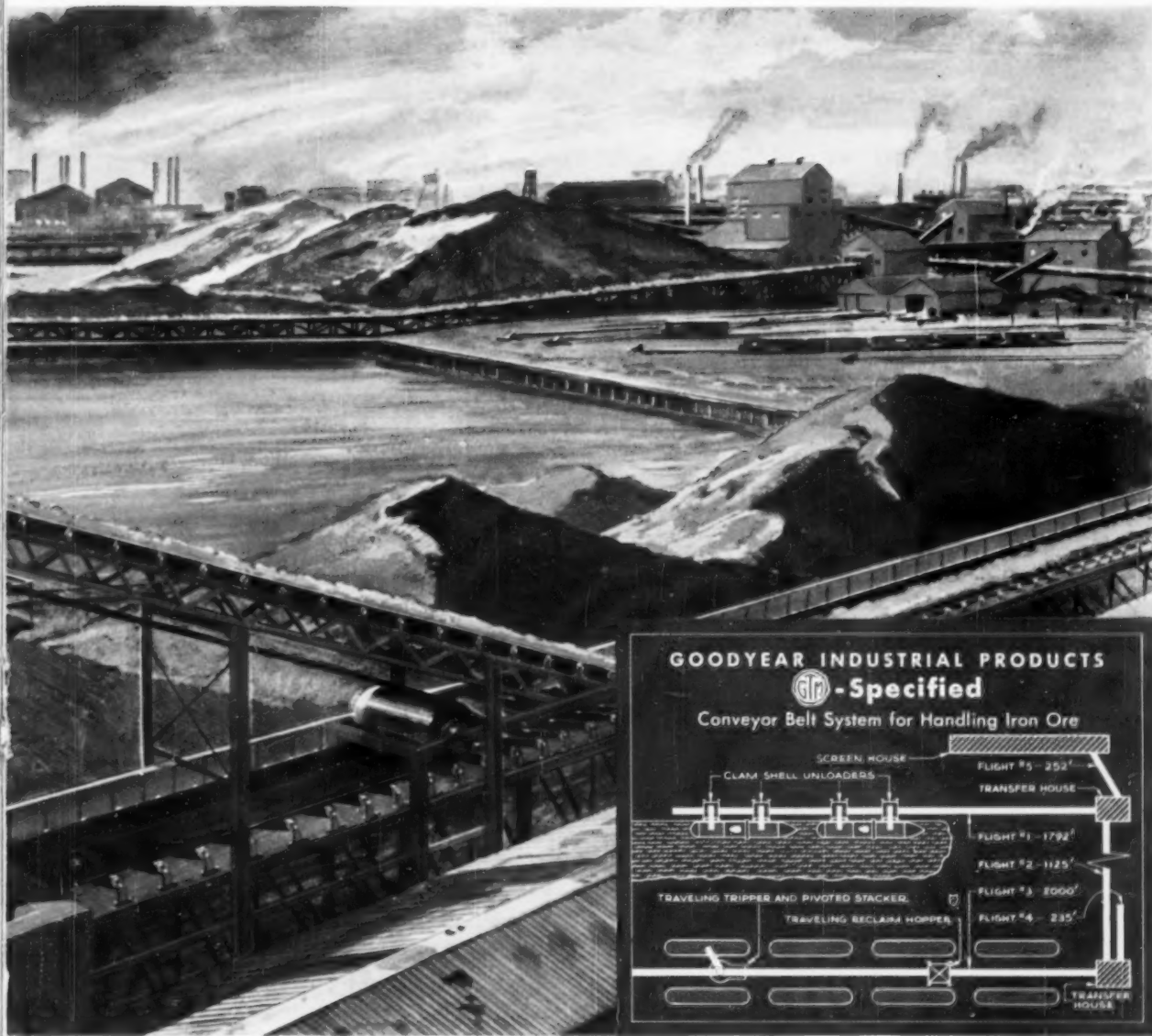
How to move young mountains of iron ore was the problem in expanding one of the world's largest steel mills. To keep the big furnaces blasting required a huge stock pile. Thousands of tons of ore had to be unloaded, classified, stored and made available again in a matter of minutes.

To complicate matters further, the only available stockpiling area lay across the docking slip from the mills. This meant hauling the heavy, abrasive ore as much as a mile around the slip to storage, then almost as far back again to the screening plant.

To keep the costs in line, someone suggested a conveyor

belt system similar to the one handling much smaller quantities of ore at another of the company's plants. But could such a "rubber railroad" handle a staggering 6,200 tons per hour on a long-term basis without problems? For the answer, a leading builder of handling systems and the G.T.M.—Goodyear Technical Man—were called in.

They quickly showed how 60" wide, reversible belts plus traveling auxiliary equipment could easily dispatch the high tonnages with pin-point control. And for longest life in such rugged service, the G.T.M. recommended Stacker-quality belts muscled with plies of superstrong, impact-



6,200 TONS PER HOUR

resistant, nylon-fill rayon fabrics.

The happy result is a smooth-working system that shuttles the ore back and forth with push-button ease, a minimum of maintenance and a maximum of safety. If you need to "put and take" large quantities of any bulk material at lowest cost, talk to the G.T.M. about conveyor belts. You

can, simply by writing Goodyear, Industrial Products Division, Akron 16, Ohio.

IT'S SMART TO DO BUSINESS with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."

CONVEYOR BELTS by

GOOD YEAR

THE GREATEST NAME IN RUBBER



\$21 for a sales call —but how many dollars worth of SELL?

Recent surveys show that the average cost of a sales call is approximately \$21. Costs in your company may be somewhat more or somewhat less—but the important question is “How much SELL are you getting for your sales call dollar?”

You are not getting full value unless you are giving industrial advertising a chance to do its proper share of the sales job—making continual contacts, arousing interest, creating preference for your company and its products.

If advertising is doing this part of the job, your salesmen can concentrate on the “climax steps” of selling—showing the prospect what your products will do for him, and getting his order.

The salesman always “carries the ball,” but he gains more ground when a well-balanced advertising program “runs interference” for him.

NATIONAL INDUSTRIAL ADVERTISERS ASSOCIATION, INC.

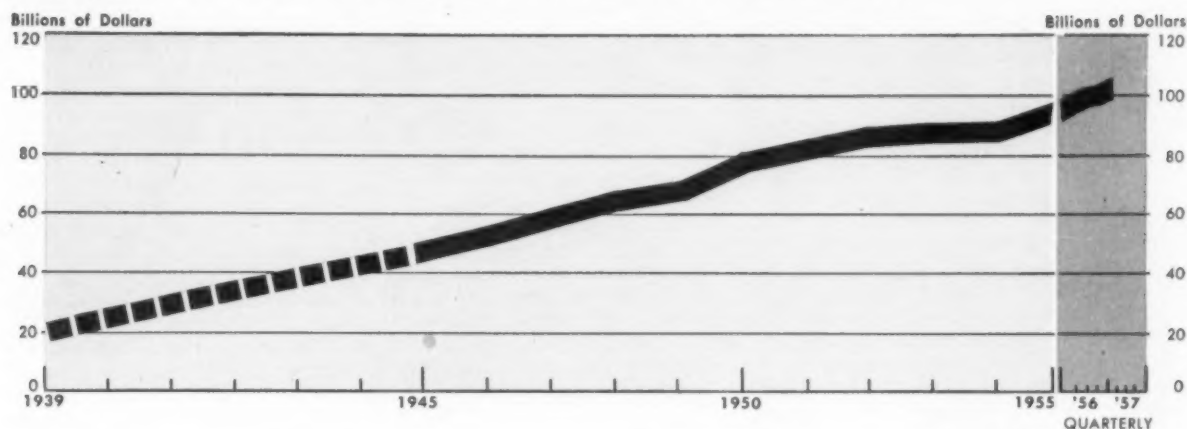


271 Madison Avenue, New York 16, N. Y.

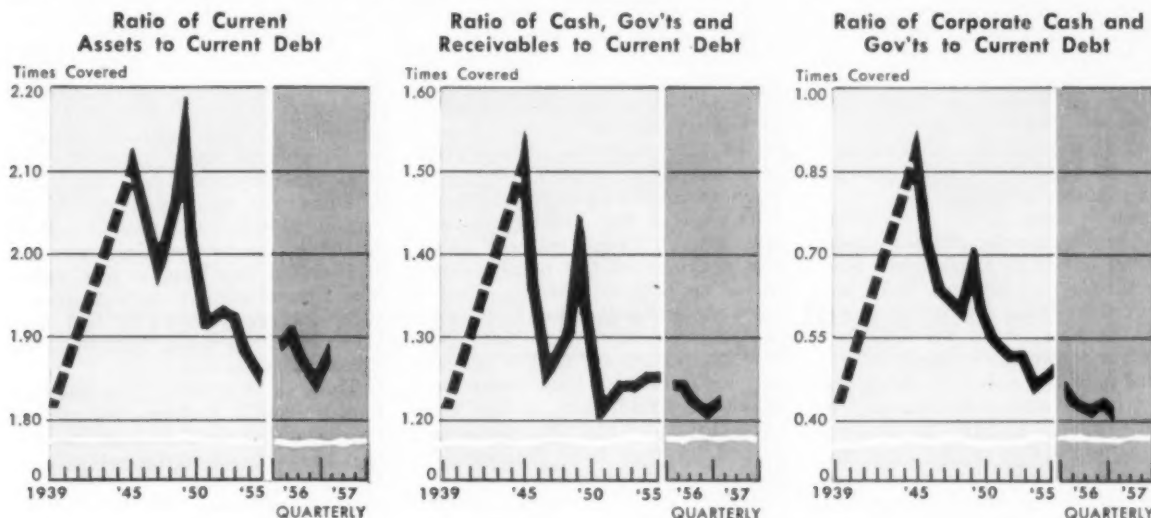
An organization of over 4000 members engaged in the advertising and marketing of industrial products, with local chapters in ALBANY, BALTIMORE, BOSTON, BUFFALO, CHICAGO, CLEVELAND, COLUMBUS, DALLAS-FORT WORTH, DENVER, DETROIT, HAMILTON, ONT., HARTFORD, HOUSTON, INDIANAPOLIS, LOS ANGELES, MILWAUKEE, MINNEAPOLIS-ST. PAUL, MONTREAL, QUE., NEWARK, NEW YORK, PHILADELPHIA, PITTSBURGH, PORTLAND, ROCHESTER, ROCKFORD, ST. LOUIS, SAN FRANCISCO, TORONTO, ONT., YOUNGSTOWN.

FINANCE

Corporate Working Capital Continues to Climb . . .



. . . But Corporate Liquidity Has Dropped Back Almost to 1939 Levels



Data: Securities & Exchange Commission.

©BUSINESS WEEK

The Biggest But Not the Best

In the first quarter, working capital of non-financial corporations reached a record \$106-billion. But liquidity declined, squeezed by expansion, taxes, costs.

THE WORKING CAPITAL of non-financial corporations reached a record \$106-billion at the end of the 1957 first quarter, according to the survey that the Securities & Exchange Commission has been making regularly since 1939. The first-quarter figures, mirrored in the charts above, were released last week.

Working capital—excluding only banks, savings and loans, and insurance

companies—topped the old mark easily. At the end of the first quarter it exceeded its year-earlier figure by \$5-billion, and was four times its size back in 1939. And this year's figures are huge by outside standards—a full quarter of the formidable total of gross national product, for example.

• **The Obverse**—Massive as the working capital total is, its story contains some "buts" of solid importance. For

one thing, the curve of increase has begun to flatten. In the 1956 first quarter, the gain was \$2.1-billion, while in this year's first three months it was only \$1.6-billion—despite the effects of a record-shattering \$2.7-billion in new money financing via bonds and stocks. Similarly, for the 12-month stretch that ended Mar. 31, 1956, the increase was \$7.7-billion, a fat 54% more than the \$5-billion gain in the 12-month period that ended this March.

This slowing down in the increase of working capital is rather like a smudge on an impressive facade. If you look further, you can see worse

"... the third devil tormenting liquidity—generally higher operating costs—has contributed a generous share to the trouble ..."

STORY starts on p. 75

things; behind the facade are some widening cracks in the building itself. After all, working capital is a very important factor in measuring the strength of an economy, or a company, but—as any experienced bank loaning-officer or commercial credit man can testify—it is a factor whose mere size is much less important than the quality of its components.

Take a close look at the charts. If you saw the top one alone, you would mark the huge increase in over-all working capital, and you might easily conclude that business as a whole was enjoying great liquidity. But the three smaller charts very clearly contradict this idea, pointing as they do to a continuing loss of liquidity during the very years when working capital total was soaring by \$81.5-billion, a gain of 333%. First-quarter liquidity, the charts clearly say, was pretty much down to the levels from which it had started in 1939. Here are the details:

Current assets covered current liabilities only 1.89 times, a shade over the 1.82 times in 1939, but well below the 2.13 times of 1945.

Quick assets—cash, government bonds, and receivables—covered current liabilities only 1.23 times, again quite close to the 1.22 times in 1939, and considerably under the 1.55 ratio of 1945.

Cash and government bonds covered current liabilities only 0.42 times, the lowest similar ratio ever uncovered by the SEC survey. In 1939, the ratio was 0.43, as against 0.93 in 1945, and 0.50 at the end of 1955.

The continuing decline of liquidity, generally most marked since 1950, has a variety of causes:

- Most corporations have siphoned off a huge part of their soaring earnings to finance plant expansion and modernization.

- The annual tax load on corporations has been made heavier by the operation of the Mills Plan, with its progressive changes in the formula for paying the federal income tax.

- Constantly rising costs of operation have bitten huge chunks out of corporate cash resources and the sales-dollar.

Close students of business are well aware of the immense cost in cash of the new plant and equipment, but laymen can get a capsule idea from the SEC's survey of the first quarter this year, in which "corporations invested \$7.4-billion in capital resources." To

finance this, and to bolster working capital, says SEC, "corporations continued to obtain about 70% of the necessary funds from ... retained earnings and depreciation accruals," and the rest from "\$2-billion of net long-term borrowings and \$700-million of net new offerings of equity securities."

- **Pay-As-You-Go**—The Mills Plan has been just as heavy a drain on liquidity. The plan, of course, aims at putting corporations on the same-pay-as-you-go income tax basis as private individuals. To accomplish this, it has in effect been requiring for some years that corporations pay 110% of their federal income tax each year. Thus last year, business had to pay 45% bites of its 1955 tax in both March and June, capping that with 10% payments in both September and December on its estimated 1956 tax. The schedule is just as tough this year. In March and June, 40% payments are due on the 1956 tax; in September and December, 15% slices are due on the estimated tax for 1957. And this schedule of tax payments is slated to prove just as tough a burden for several years hence.

The size of this drain on corporate cash boxes is clearly mirrored in the loan activities of the nation's banks around tax payment time, as shown in the Federal Reserve's weekly reports. In the three-week period that ended June 19, the national total of commercial and industrial bank loans went up almost \$1.4-billion; in the three weeks that ended Mar. 20, corporations stepped up their bank borrowing by nearly \$1.3-billion.

- **Rising Costs**—The third devil tormenting liquidity—generally higher operating costs—has contributed a generous share to the trouble. Rising wages have played a big part, but not the only one. The price tags are up on just about everything that business considers essential to its proper operation. Only a few months ago, U.S. Rubber told its stockholders that for every \$1-million of sales, it had to have \$300,000 of new working capital in order to run properly.

As a generality, small companies have probably suffered more than big ones from the loss of liquidity. But the big ones have suffered plenty, with the downtrend sweeping pretty much across the board. General Electric Co. offers an example of how a fast-stepping boom can catch even the biggest companies short of working capital.

- **The Case of GE**—GE is rated in

Wall Street as one of the best-managed industrial enterprises. As recently as the end of 1955 it had no outstanding funded debt; for years it had operated very successfully with what would ordinarily be considered a minimum of working capital. It accomplished this by evolving a system for much faster than usual turnover of such current assets as cash and receivables.

However, as 1956 approached, smart Streeters were saying that even GE was going to have to do something to strengthen its financial position. The company's current assets at the close of 1955 were covering current debts only 1.53 times, compared with a national average of 1.86. Its ratio of quick assets to current debt had fallen to 0.66, from 1.21 at the end of 1954; the national average was 1.26, according to SEC estimates.

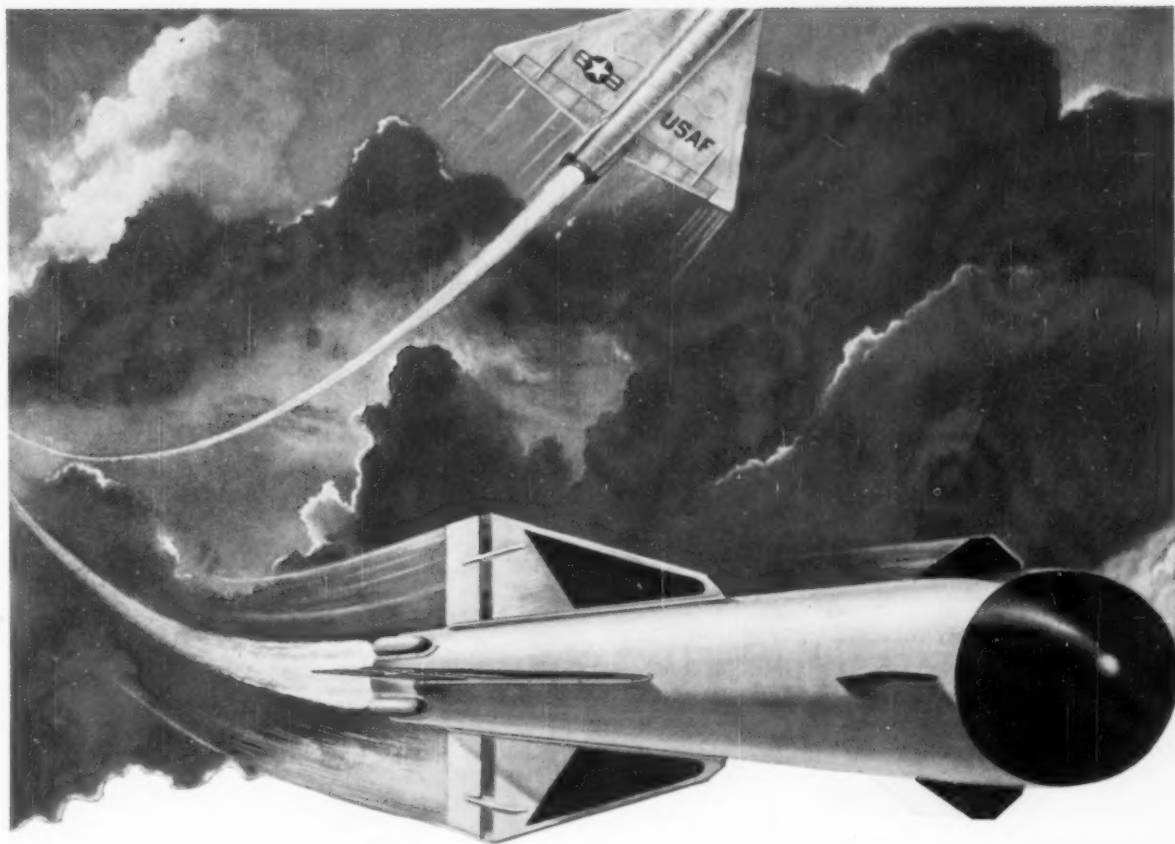
The prophecies of Wall Street finance men began to come true in March, 1956, when GE called on its banks of deposit for loans of \$100-million to help handle the federal income tax payment coming due then. The company soon found this wasn't enough; eventually, it decided to sell to the public \$300-million of long-term debentures. These were 20-yr. 3½s sold to underwriters at a price of 100¼% of par, terms that now seem fantastic in the light of today's extremely tight money market conditions.

Thanks to this financing, by the end of 1956 GE had pushed working capital up to \$590-million, from the \$345-million on hand a year earlier. The ratio of current assets to current debt had been pushed to 1.90 from 1.53; while the quick asset ratio was up to 0.73 from 0.66.

Those in Wall Street who originally foresaw the GE problems are still not convinced that the debenture financing of last year has solved the cash problem permanently, assuming that the company will continue its heavy capital spending.

They figure that if GE completes its \$500-million-plus expansion program for 1956-1958, it will have to spend more than \$300-million in cash from now to the end of next year. That's too much to be coped with out of the earnings left after dividends and depreciation allowances, the Streeters think.

They cite one interesting fact to support their calculations: Despite the \$300-million debenture sale last year, GE's cash and marketable securities at the end of 1956 were only \$67-million, way down from the \$145-million a year earlier. And \$67-million, they add, is very little for a corporation whose 1957 sales could easily hit \$4.5-billion—even for a company like GE with a reputation for making do with a minimum of cash. **END**



Triggering a Crushing Answer...

Activating the control and power systems of air-to-air guided missiles is the job of a Mallory transfer switch—one of the Mallory contributions to the dynamic field of guided missile development...forefront of America's defense.

At one moment, inactive... in its launching rack on the interceptor aircraft. The next, free... winging on its deadly course to find and kill enemy bombers miles away. "Triggering" the guided missile's control and power systems at the moment of release is a Mallory-developed switch.

Precision-designed and manufactured, the Mallory missile transfer switch must withstand brutal shock and vibration... bake-oven heat or sub-zero cold—and perform dependably under all conditions. It joins with other Mallory components at work in missile guidance and

control systems, as well as fire control, radar and communications equipment.

There are industrial counterparts of Mallory military components at work for you and for industry in a broad range of equipment—from automatic appliances and pocket radios to giant circuit breakers and electrical controls. Underlying their superior performance is Mallory's wide background in the closely related fields of electronics, electrochemistry and specialized metallurgy.

It is this combination of precision products and broad engineering experience that explains why industries with their eyes on tomorrow turn to Mallory—the company at home in tomorrow.

MALLORY

SERVING INDUSTRY WITH THESE PRODUCTS:

Electromechanical • Relays, Switches, Timing Devices, Vibrators
 Electrochemical • Capacitors, Mercury and Zinc-Carbon Batteries
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P. R. MALLORY & CO. Inc., INDIANAPOLIS 6, INDIANA



Unique casters keep windshields rolling at Ford Motor Co.

At Ford's Dearborn glass plant the problem is to keep windshields moving fast enough—without breaking.

At one point along this production line shock or vibration could damage the cut edges of over 3000 pounds of glass. Later, when the glass has been bent and formed, shock could shatter a truck load of 22 expensive sheets.

At both points in Ford's operation Bassick Floating Hub Casters are used. These shock absorbing casters cushion shocks even though loads move at normal walking speeds.

Unique feature of Floating Hub

Bassick's exclusive Floating Hub is a shock absorbing caster with a spring-controlled wheel that rides up or down over obstacles or holes without lifting or lowering the load carried. Bassick's unique combination of eccentric offset and spiral spring snubs out vibration, reduces impact forces and provides true shock absorption.

Floating Hub casters also provide lateral stability—essential in handling top-heavy loads of glass at Ford. Maybe these unusual features could help solve some of your handling problems. Talk to your local Bassick distributor or a Bassick field engineer. THE BASSICK COMPANY, Bridgeport 5, Conn. In Canada: Belleville, Ont. 7.19

MAKING MORE KINDS OF CASTERS... MAKING CASTERS DO MORE



Bassick
A DIVISION OF



Bar to Some Bank Mergers

In New York State, mergers of commercial and mutual savings banks may not be legal, according to some lawyers. But bankers are still arguing the pros and cons.

In all the bank mergers in the New York City area over the past year or two, banks have stuck with their own kind—commercial banks, mutual savings banks with other mutual savings banks. Now the question has been raised: Why shouldn't a commercial bank merge with a mutual savings bank? And the suggestion has sent New York State bankers scurrying to their legal staffs.

Arthur T. Roth, president of Long Island's fast-growing Franklin National Bank, raised the point most recently when he commented on last spring's merger of the Rockaway and Jamaica savings banks on Long Island. Roth remarked that if he had known the Rockaway Savings Bank was in the merger market, his bank might have been interested in taking it over.

• **Would It Be Legal?**—Roth's statement stirred discussion about whether or not, under New York banking law, a commercial bank can absorb a savings bank.

After all, the yeas point out, the service of a "savings" or "thrift" department of a commercial bank doesn't differ significantly from that of a savings bank. But, the nays retort, the difference in ownership of the two kinds of bank sets up a thorny obstacle to any merger.

According to The American Banker, the banking business daily, Section 605-A of New York State law permits one "state bank or trust company" to assume the deposit liability of another. Most bankers say this leaves the question of legality up in the air, for clarification only by a State Banking Dept. ruling or by further legislation.

The New York Savings Banks Assn. declares that, in the opinion of its attorneys, Oliver & Donnelly, any merger between a commercial bank and a mutual savings bank is "impossible." According to Oliver & Donnelly:

• The provision of state law to allow a savings bank to sell its assets applies "only in extreme situations where a bank is in a precarious position." Any New York bank must have approval of the Superintendent of Banks before it can sell 50% or more of its assets, and this approval would be unlikely in a commercial-savings bank merger.

• While several mergers of savings banks and commercial banks have taken place outside New York State, none provides a precedent for New York law. In neighboring New Jersey, such

a merger was enjoined in 1902, yet neighboring Connecticut has permitted this type of merger. Others have occurred in South Bend, Ind., Baltimore, Md., Providence, R. I., and Nashua, N. H.

• **Surplus Fund**—Bankers see the difference in ownership as raising a troublesome question particularly in the disposition of the savings bank's surplus fund.

Commercial banks, of course, are owned by the holders of their stock; mutual savings banks, by their depositors. Earnings of commercial banks are paid out in the form of dividends; earnings of the savings banks, after operating expenses, are largely paid out to the depositors in the form of interest. Enough money is retained by savings banks, usually about 10% of the bank's deposit liabilities, to maintain a surplus fund.

This fund could not be included in the assets bought by a commercial bank, lawyers say, since it belongs legally to the depositors. But many authorities also say it couldn't be distributed to the depositors without all kinds of complications. To divide it among the current depositors would give many, especially the most recent comers, an undeserved windfall while others who had helped to build the surplus fund and who had since withdrawn would get nothing.

Many bankers think the only solution would be to turn part or all of the surplus over to the state, on the theory that savings banks are quasi-public institutions.

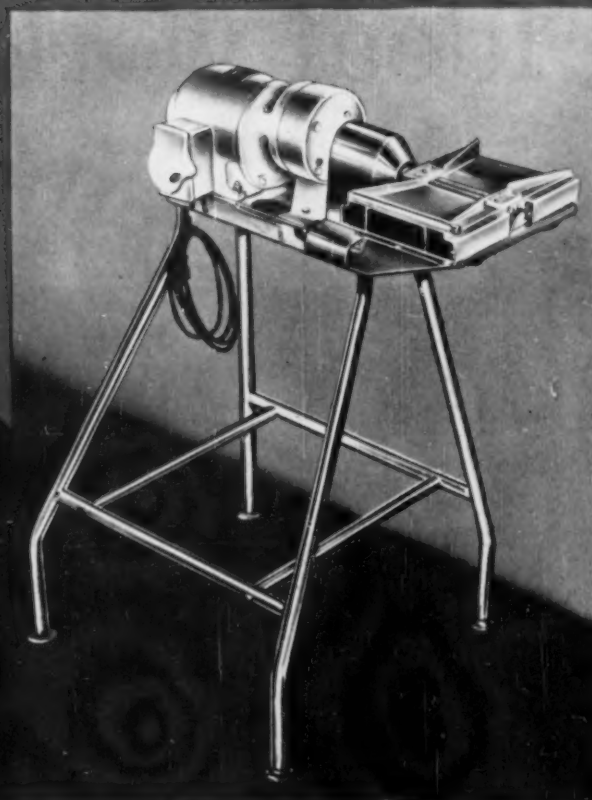
• **Cause for Enthusiasm**—If the surplus could be divided among the current depositors, the savings bank people might be more enthusiastic about the idea of merger. Such a distribution was made in 1925 when a Lakeville (Conn.) bank took over the Salisbury Savings Society, and each of the Salisbury depositors got \$6.20 for each \$100 that was on deposit.

It's not hard, either, to see why a commercial bank like Franklin National would be eager to absorb a savings bank in its neighborhood. The increased savings deposits could be handled at little additional cost, and the depositors acquired through the merger would be prospective customers for the bank's other services.

Right now, however, it appears that the legal roadblocks to such mergers in New York State are virtually insurmountable. **END**



THERE'S MORE
 THAN **ONE** WAY
 TO SKIN A
GIZZARD!



Power Gizzard Skinner Means Better Production for packers! Driven by a Master ¼ H.P. Double Parallel Gearmotor, output speed 230 R.P.M.

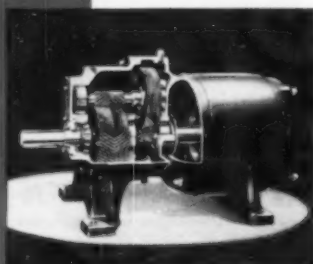
ANOTHER DRIVE REQUIREMENT MEETS ITS MASTER

"But my drive problems are different," you say, and right you undoubtedly are. Far as we know, this Master-powered Gizzard Skinner is unique.

But here's the point. America's productive genius consists of the ability to analyze a problem, devise a system and apply power to it in such a way as to produce better results faster at less cost. And *that problem we bet you've got!*

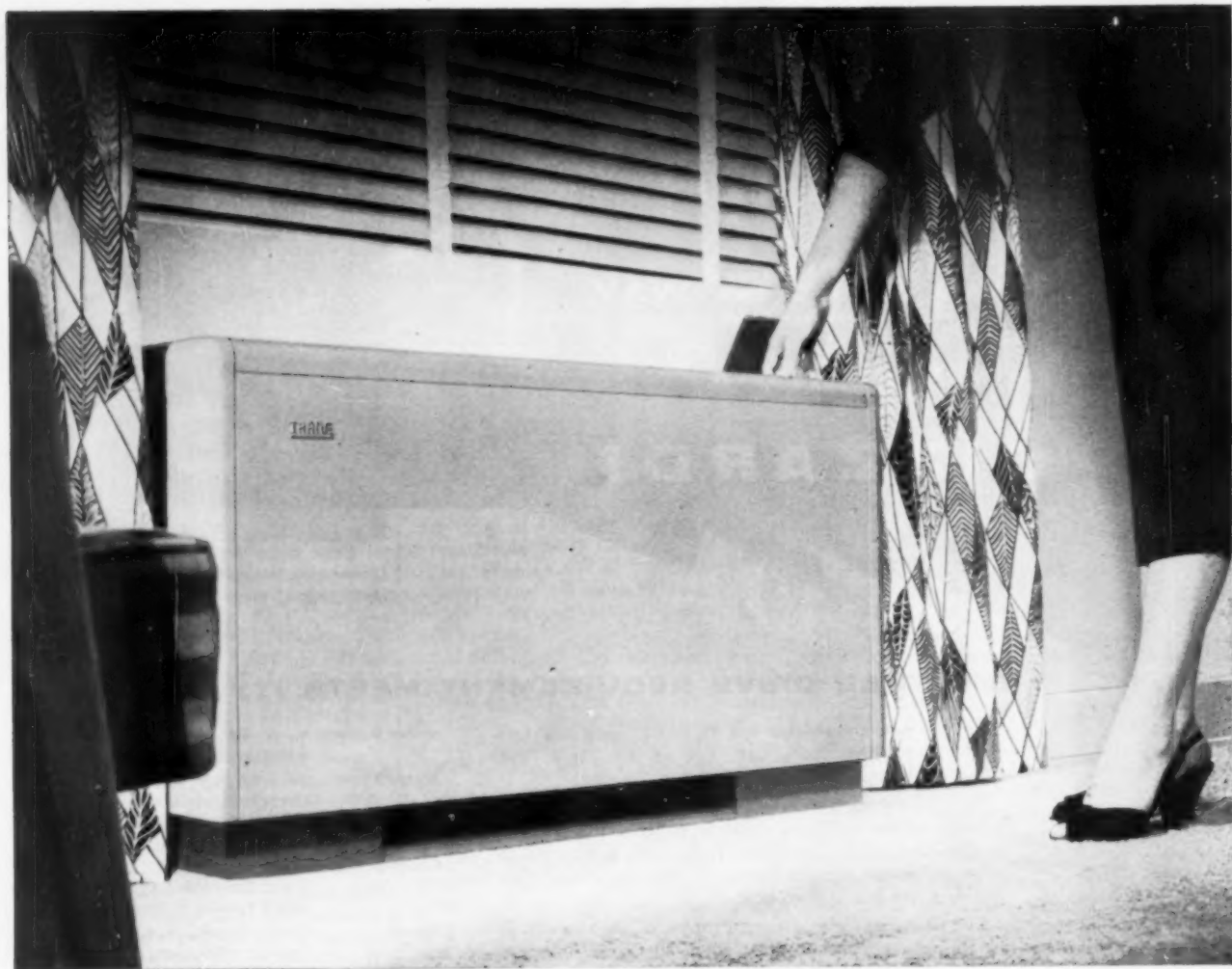
Let us help! Tell us the problem. From the drives listed here—or a combination of the required ones in one compact efficient unit—we'll deliver the goods! That's just what we've done for many, many years, to an ever-enlarging cross-section of American industry jealous of the performance of their motor equipment.

- Motor Ratings**..... ½ to 400 H.P. All phases, voltages and frequencies.
- Motor Types**..... Squirrel cage, slip ring, synchronous, repulsion-start induction, capacitor, direct current.
- Construction**..... Open, enclosed, splash-proof, fan-cooled, explosion-proof, special purpose.
- Speeds**..... Single-speed, multi-speed, and variable speed.
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This TRANE Self-Contained Air Conditioner packs top cooling comfort into a trim, slim, quiet package. It's the ideal unit for cooling stores, shops and offices!



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TRANE Convectors heat hallways, long window runs in schools, homes, offices and factories. Aluminum-copper heating element provides gentle, even warmth.



the year around air conditioning!

*Summer or winter... just touch the dial for
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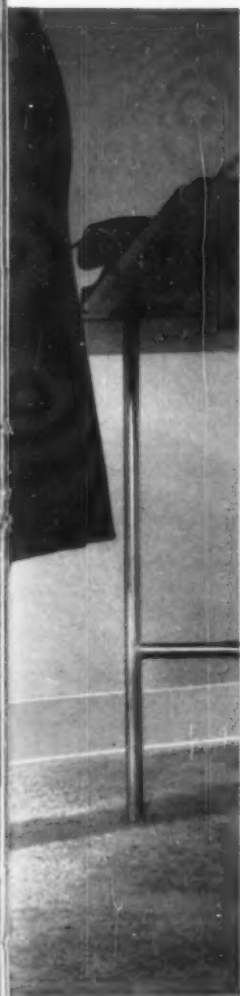
Here's working weather for multi-room, multi-story buildings of every size and type! Not just cooling, not just heating—but a tailored-to-order temperature for every season of the year. It's UniTrane air conditioning, with individual control of room units to give each occupant the climate he wants... and give management close control of costs.

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you to turn to TRANE! The TRANE line is so complete, so versatile, you can have the type of system that's exactly right for your building... for your budget.

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◀ **Dial the climate you want!** This UniTrane individual room air conditioner gives each occupant custom comfort, with built-in cost control. One or more of these fan-coil units may be shut off without upsetting the balance of the system. There are UniTrane models—including induction type units—for any multi-room, multi-story building... for any air conditioning system. Chilled water for summer cooling is supplied by the famous TRANE CenTraVac water chiller—the industry's first hermetic centrifugal compressor.



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TRANE Fans are precision engineered, electronically balanced. Giant Class III Fan, above, delivers large volume of air for air conditioning or process applications.



HEAT TRANSFER

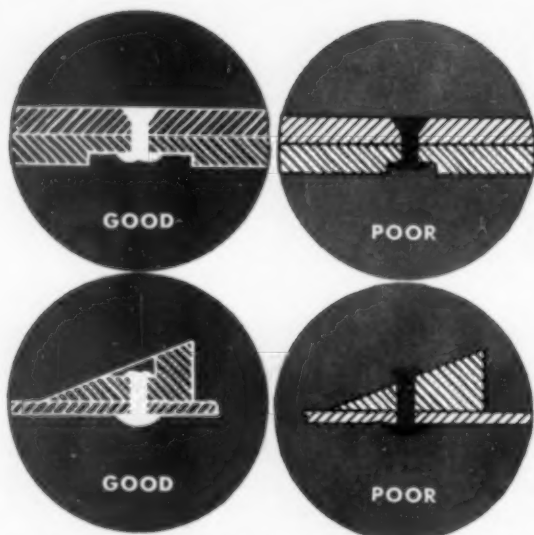
TRANE Fluid Coolers serve oil, gas and chemical industries... cool engines and lubricating oil for a wide variety of applications. TRANE equipment serves everywhere!

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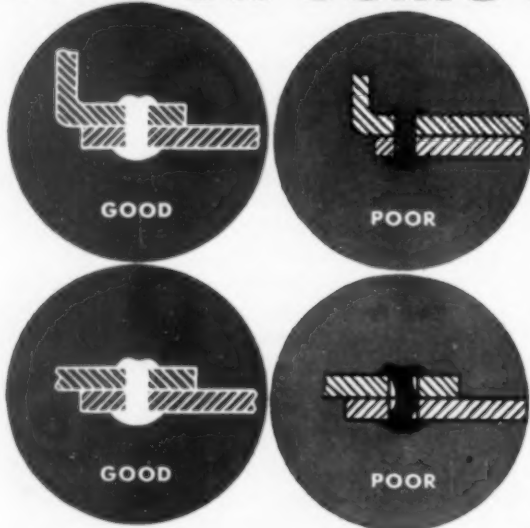
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Texas U. "Flier"

Regents O.K. investing big slice of university's huge oil income in common stocks and corporate bonds.

The oil-rich University of Texas, long limited to investment in government bonds, has started to sink a goodly slice of its tremendous income into corporate securities—with the stress on common stocks as a hedge against inflation.

As a first step in diversifying its Permanent University Fund, the Board of Regents last week approved the immediate investment of about \$3.5-million in corporate securities, with \$1-million going into bonds, the remainder into 46,765 shares of common stock, scattered over 49 companies. By fiscal 1964, the university expects to invest close to \$156-million in common stocks. A list of 151 companies has been selected, and the plan is to put approximately \$14-million in each of 32 public utilities, 71 manufacturers, and 4 railroads, while \$500,000 apiece will go into each of 44 banks and insurance companies.

• **Final Setup**—This stack of common stocks is expected to make up about 35% of the \$450-million portfolio that the university hopes to accumulate by stashing its oil royalties and payments from the sale of mineral leases on its endowment lands, along with proceeds from maturities. Of the rest of the portfolio, 50% will be in bonds of the U.S., the state of Texas, and Texas municipalities; 5% in corporate bonds; 5% in preferred stocks; and 5% in mortgage notes guaranteed by the government.

Right now, the Regents are inclined to feel that they are being a bit giddy in this investment switch. What finally convinced them was that of late the university's mountain of government bonds had been producing an average yield of only 2.79%, while investment counselors assured them that a diversified fund could be made to yield about 4.5%. In any case, there is nothing very giddy about the Texas plan, when you compare it to other colleges and universities. One survey of 56 varied institutions at mid-1956 showed that of their \$2.8-billion lumped endowments, 564% was in common stocks, 29% in bonds, 6% in mortgages and real estate, 4.5% in preferred stock, and the rest miscellaneous.

• **Strict Limits**—The Regents' program—which was approved at the last election by the voters of the state—restricts its investments within limits that might well be a primer of conservative thinking. Here are some of the rules:

• Investment must be in companies

RW-300

Digital Computer for Industrial Process Control

The Ramo-Wooldridge Corporation announces the first digital computer engineered specifically for industrial process control.

This new computer, designated the RW-300, has been developed by a team of scientists and engineers who earlier pioneered in digital control systems for military applications. It is designed to bring a new degree of automatic control and efficiency to industrial processes through the application of the unique computational, data processing, and decision-making capabilities inherent in digital techniques.

The RW-300 is suitable both for new process plants under design and for currently operating plants. It can be utilized to improve product quality, to reduce operating costs, and to increase plant output. In multi-product processes, it can proportion output for maximum profit; in blending operations with variable input materials, it can achieve optimum product characteristics. Basic design factors for the computer were derived from analyses of operating industrial processes. These factors included computing capability, speed, accuracy, power requirement, and maintenance provisions.

Ramo-Wooldridge has designed industrial process control systems incorporating the RW-300 where a moderate investment in new equipment for an existing plant will lead to benefits in increased operating efficiency that pay off the investment in from one to three years.

The RW-300 makes possible central automatic control of industrial processes within the present state of development of instrumentation and subsidiary control devices. For instance, existing control criteria in a current process can be used as the starting point, and as understanding of the process increases through research and operating experience, the process can be improved by merely reprogramming the computer. The same is true when new and improved instrumentation is installed. This ability to make frequent and substantial changes in process control without the necessity for replacing the computer equipment is an outstanding feature of the RW-300.

Ramo-Wooldridge engineers and process specialists are available to discuss application of automatic digital control systems to such processes as oil refining, chemical manufacturing, distilling, paper-making, and many others. Information regarding the RW-300 and its application to industrial processes can be obtained by addressing an inquiry to the attention of J. F. Manildi.

The Ramo-Wooldridge Corporation

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- Bonds must be rated "A" or better by leading rating agencies.
- Stocks must have paid dividends for at least 10 straight years before the purchase, and—except for bank and insurance shares—must be listed on a registered exchange.
- The fiscal ratios of the companies must measure up to standards set by the Regents.
- Not more than 1% of the university portfolio can be invested in any one company, and not more than 4% of the voting stock of any company may be held.

Borrowing Long

Because bank loans are hard to get, finance companies are issuing a spate of long-term debentures.

The finance companies are in the business of making it easy for people to borrow money. In a time of tight money—such as the present—they use all their ingenuity to find the money to borrow themselves.

Ordinarily, they rely heavily on banks for short-term loans. But with bank interest rates high and money tight, the credit companies are turning more and more to the long-term market, where money is a shade easier to find.

• **Novelty**—In late June, C.I.T. Financial Corp. came up with a new type of public offering—a highly flexible \$100-million debenture issue, novel in two principal respects:

• Instead of all falling due in one year, the C.I.T. securities are slated to mature serially over a seven-year period from 1960 to 1966. This is normal for municipal bonds but unusual for corporates.

• Instead of selling the whole batch to a group of investment bankers, as with orthodox debenture underwriting, C.I.T. hired Salomon Bros. & Hutzler as selling agent to release the issue gradually. Terms are to vary with market conditions. The object here is to put C.I.T. in a position to whip into the market and whip out again whenever conditions are most favorable.

Last week, C.I.T. decided to stretch the issue over a longer term. It announced four new series maturing in 1967-70 with a 4½% coupon. They are priced slightly under par to yield 4.94% to 5%, depending on maturity.

• **Everybody's Doing It**—The C.I.T. announcement followed closely the news of two other forthcoming debenture financings by credit companies.

General Motors Acceptance Corp.,

Concentration:

Photographed at Gulf Oil Corporation, three of the 5,056,182 people covered by Connecticut General Group Insurance.

Your employees need concentration to finish a tough, often tricky, job. And concentration requires freedom from worry. You can help provide this vital freedom through our B.E.U., Better Employee Understanding of group benefits.

Ask your insurance man about B. E. U. . . . how it can help you tell your employees regularly and clearly just what their group benefits mean to them. An exclusive service of Connecticut General Life Insurance Company, Hartford 15.



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Producing **PLAYING CARDS**
or **POWER . . .**

KREOLITE Wood Block Floors

Serve Longer with Low Maintenance



Over a period of 20 years, United States Playing Card Company, Norwood, Ohio, has installed approximately 175,000 sq. ft. of Kreolite flooring . . . a tribute to durable service.

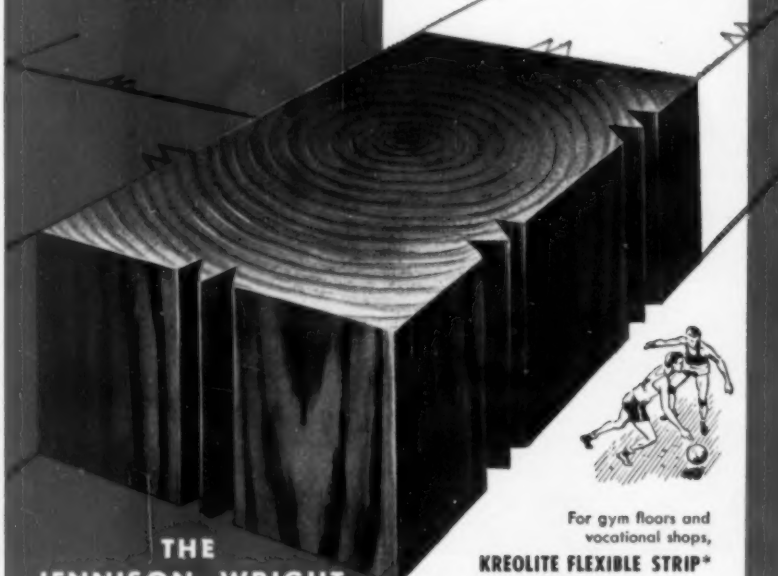


In power stations from coast to coast, Kreolite is the preferred floor for machine shops and other areas. It has every requirement for low cost maintenance.

Name any industry and it is most probable that Kreolite flooring is providing ideal conditions for the particular installation. Often, management is most interested in floor comfort for employees, they prefer Kreolite Wood Block Floors because their cushioning effect causes much less fatigue.

Long life and easy maintenance, even under conditions that would be rough on other flooring, is no problem for Kreolite. Authentic records show that time and time again, Kreolite Floors have outlived the building itself.

So, to make a wise choice in flooring, get all the facts, write today for product data and specifications.



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CORPORATION**
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For gym floors and
vocational shops,
KREOLITE FLEXIBLE STRIP*
resilient flooring is tops.

*Made of Kiln Dried End Grain Southern
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more conventional, has registered with the Securities & Exchange Commission a \$100-million, 20-year debenture-type issue, maturing all at one time. GMAC wants the SEC to shorten the waiting period so that it can get to market before Aug. 7, which ordinarily would be the selling date.

Associates Investment Co. of South Bend, Ind., is issuing \$50-million in debentures, also maturing in 20 years. The company has tried to increase the issue's attractiveness to investors in the tight market by making the debentures non-callable through their entire life. The same finance company sold another \$20-million in debentures about a month ago.

Both the GMAC and Associates Investment issues were timed for release during the customary midsummer period of relative lull in new issues—and before the expected Labor Day rush. In the past week, only three debt issues totaling \$18.6-million were scheduled, in addition to the Associates Investment debentures.

FINANCE BRIEFS

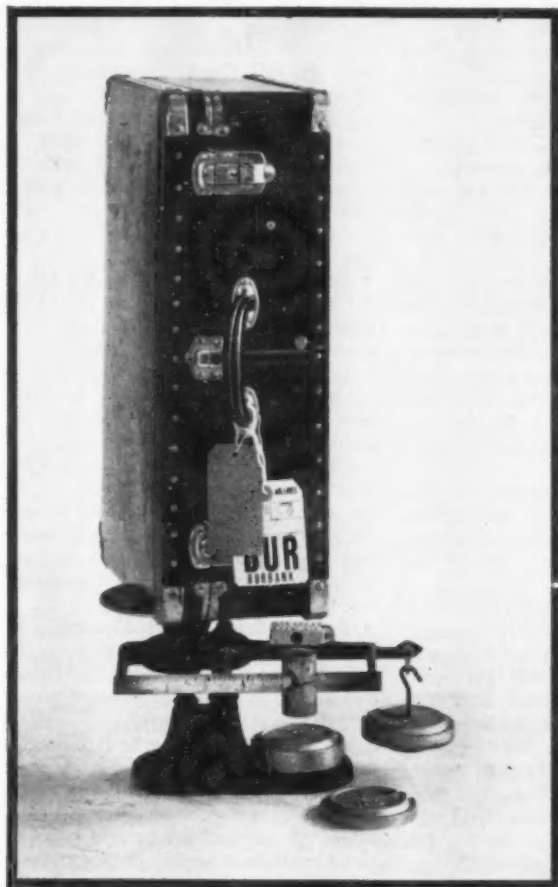
Corporate financing rose to \$7.6-billion in the first half of the year, Investment Dealers' Digest reports. In the first half of 1956, new issues totaled \$6.6-billion. There was a shift to public offerings, as private placements declined from \$2.8-billion to \$2.4-billion.

Increased savings deposits after a higher interest rate is offered may largely reflect a transfer of deposits from the bank's own checking accounts. That was the experience of a Western bank, which recently increased its rate to 3%. It got a 10% increase in savings deposits but also almost the same drop in checking accounts.

Biggest mutual fund at midyear was still Massachusetts Investors Trust, with assets of \$1.16-billion. This common stock fund is followed closely by Investors Mutual, a balanced fund with assets of \$1.05-billion. Well behind are Wellington Fund, another balanced fund with assets of \$629-million, and Fundamental Investors, a common stock fund with assets of \$407-million.

The first turnpike bond default seems inevitable. There is little hope that the West Virginia Turnpike will be able to put up the \$2.6-million interest due on its bonds next June, although it hopes to meet this December's payment. Revenues have proved to be only half what the engineers estimated. The 3½'s and 4½'s are selling around 50 and 55 respectively.

The Case of the 9-Pound Suitcase



The Schoolteacher was a convict.

The hard fact was still unbelievable to the bewildered, quiet young man. Just a few weeks before he had been a respected citizen of a small, pleasant California town, a teacher of children. To break the quietness of this placid, routine life, he had decided to fly to Las Vegas for a weekend. On his arrival he was arrested—an envelope of marijuana had been found in his luggage. Where the envelope had come from he didn't know. But he couldn't prove that. The State of Nevada, with a pat circumstantial case, had convicted him and sent him "for a period of two to 10 years" to the State Penitentiary.

One other man refused to believe the circumstantial evidence. The Schoolteacher's uncle was convinced that his nephew was innocent. So the San Francisco importer closed his office and started a grim and determined search for help. Finally he found two men who were willing to re-examine the facts of the case. One was Colonel George White of the Federal Narcotics Bureau, the other was Mr. Jake Ehrlich, a prominent trial attorney.

Colonel White investigated. These were the facts:

The Schoolteacher had picked up his ticket at the San Francisco Airport. By mistake, he checked his suitcase to Las Vegas on the wrong airline. By the time he had straightened out the mixup, the bag was enroute to Las Vegas via Los Angeles. The clerk assured him that his suitcase would be in Las Vegas when he arrived. The Schoolteacher went on to Las Vegas. His bag was not there.

Thoroughly irritated at the way his holiday was starting, the young man telephoned both Los Angeles and Burbank airports. At last his bag was found in Burbank. But the airport employee who found the bag thought it was suspiciously light. He called the airport police, who opened the suitcase to see if it had been rifled. They found a few pieces of clothing and an envelope containing an ounce and a half of marijuana.

The Burbank Police were called. They replaced the narcotic, closed the bag and shipped it on to Las Vegas, telephoning the story to the Las Vegas Sheriff's Office. When the Schoolteacher finally claimed his long-lost luggage, he was arrested, charged, and speedily convicted of illegal possession of narcotics.

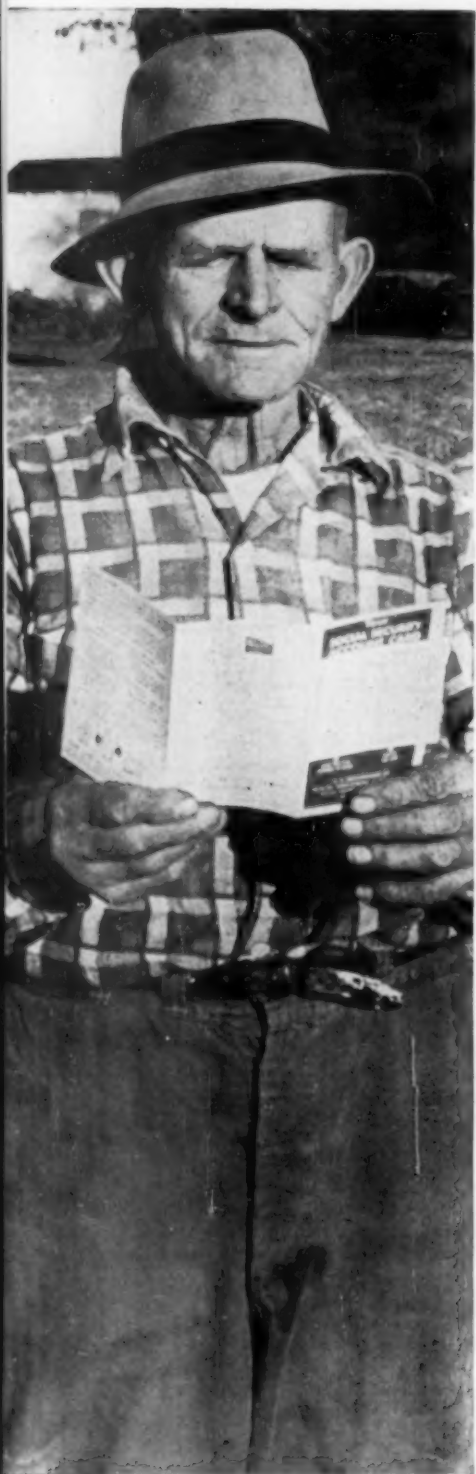
The case of *The People vs. The Schoolteacher* might well have ended there. But it didn't because Colonel White's investigation discovered a new fact. The manifest of the flight that carried the bag from San Francisco to Burbank showed its weight to be twenty pounds. The Las Vegas Sheriff's Office weighed it in at nine pounds. Somewhere between San Francisco and Las Vegas—during which time it would have been physically impossible for the Schoolteacher to have access to it—the bag lost eleven pounds. Obviously, the Schoolteacher had not been the last person to open the suitcase. Obviously, the real criminal had not been caught.

Armed with Colonel White's report, Attorney Ehrlich, working without compensation, made his plea before the Nevada State Board of Pardons and Paroles. Sixty-nine days after he entered prison the Schoolteacher was a free man. Today he is teaching children that American Justice is quite as determined to protect the innocent as it is to convict the guilty.

People who care about justice and who do something about it—people like Colonel White and Attorney Ehrlich—exemplify the finest traditions of America, those principles which are as alive in Twentieth Century America as they were in the days of our Founding Fathers.

The American Tradition Project of the Fund for the Republic has compiled hundreds of true stories of contemporary Americans whose actions have advanced the cause of freedom and justice. Some of these stories have been published in a booklet, *The American Tradition in 1957*. Free copies are available. Write to the American Traditions Project, Box 48462-BB, Los Angeles 48, California.

The Farmer's New Cash Crop



A FARMER today cherishes his Social Security eligibility as much as his best cow.

This year, hundreds of thousands of farm families began getting the monthly checks. And you can already see big changes coming in farm economics and ways of life.

"Social Security is the nicest thing that ever happened to farmers," says a Tieton (Wash.) housewife, who with her husband began receiving Old Age & Survivors Insurance (OASI) benefits of \$142.50 a month this summer.

"You know you're going to eat, anyway," adds her husband. "We could live on that amount if we had to. We did once."

This couple is among the 375,000 farm families who became eligible for OASI benefits in the last fiscal year, ended June 30. That was the first year of farmers' eligibility under the 1954 Social Security amendments. Old Age & Survivors Insurance is by far the largest of several programs under Social Security.

But while the bluish-green government check is a monthly tranquilizer for farmers' financial worries in old age, it is causing severe anxiety among the nation's fiscal officers.

The reason: Social Security celebrated its 20th birthday this year by running an operating deficit for the first time.

• **Heavy Outgo**—By paying out more in benefits and taking in less than predicted (chart, page 90), Social Security's anniversary splurge left the Treasury with greater money needs than anticipated. Only the interest on the \$23-billion OASI trust fund that the Treasury paid over from general tax receipts saved Social Security from actually going into the red and dipping into the reserve. This gave the Treasury a double headache:

- It increased the Treasury's borrowing needs at high interest rates.
- It added to inflationary pressures by helping to cut the surplus in the government's cash budget from \$4.5-billion to \$2.8-billion.

• **The Figures**—Treasury estimates show that OASI paid out some \$6,515-million in benefits in the last fiscal year—some \$1.4-billion more than contemplated in the Budget's Bureau's original estimates. Administration of the program cost \$150-million.

OASI took in \$6,540-million in payroll taxes and state contributions—about \$200-million short of earlier budget estimates.

This left OASI some \$125-million in the red. But with the Treasury handling over \$561-million in interest on the trust fund, it managed a yearend

surplus of \$436-million. This surplus, however, fell about \$700-million short of original estimates.

OASI's operating squeeze not only pains the Treasury by aggravating its fiscal woes. It also revives old questions about the program's financial soundness. Attacks have already been launched from some conservative quarters.

• **Steadily Broader**—Most of the blame—if any—for the recent trend in OASI's financial health can be laid at Congress' doorstep. In every election year since 1950, Congress has raised benefits or broadened the coverage, to bring more working people and their dependents under OASI (page 91).

Chief reasons why OASI's payout has spurred upward in the last year are (1) the large number of farmers who became eligible under the 1954 amendments and (2) the 700,000 women who came in when the minimum age for women was lowered last year from 65 to 62.

• **Farm Relief**—Farmers, especially, are coming in faster than expected. Like other groups brought under OASI since 1950, farmers who file claims this year are receiving a tremendous windfall.

Under previous rules, a farmer past 65 would have needed 9½ years of covered employment. But the "new start" rules were designed to give eligibility to many workers and self-employed people who are already near or past 65 and who might otherwise be excluded. So the minimum coverage requirement was slashed to 18 months.

For many elderly farmers, this meant a two-year spell of "Social Security farming." They are now harvesting their cash crops by mail every month.

They never saw such a bumper crop. For example, a farmer past 65 who earned a net annual income of \$400 in the preceding two years had to pay only \$24 for an annuity worth \$6,750. That's a return of 28.125%—with death and survivor benefits besides.

One out of every nine farmers in the U. S. is now sharing in this windfall.

I. Social Revolution

In order to gauge the effects of extending this welfare umbrella over the nation's farms, BUSINESS WEEK reporters talked to OASI recipients, Social Security officials, county farm

Social Security Benefits

agents, bankers, merchants, and farm economists throughout the country.

They found an economic and social revolution that promises to bring great changes in age structure, farm management, retail trade, land tenure, and family relationships.

- **Impact Already**—It will be years before the full impact of Social Security is felt in farm communities. But some effects are already noticeable:

- More people are paying income taxes, and making bigger tax payments.
- Merchants report better retail trade, especially in poorer areas.
- Older farmers are stepping out, turning farms over to sons, to other relatives, or to tenants.

- More land is becoming available for rent or sale as Social Security recipients cut back operations.

Most farmers had to wait until after two crop years before filing claims, and this was the second year. So there was a mass rush to file at OASI offices this spring.

Joe P. Tipton, district manager for Social Security at Dyersburg, Tenn., exclaims, "They don't understand it all, brother—but they know there's something here."

- **Getting Under the Wire**—For many farming oldsters, this is the culmination of a two-year scramble to get aboard Social Security. In most cases, it meant hard work; for others, a little ingenuity helped.

Quite often, family arrangements were switched around to make the father eligible.

Example: A Yakima Valley (Wash.) ranch owner had three orchards that he rented to his three sons. By working out a four-way partnership with his sons, he entered the OASI rolls without much change in his daily routine.

Many a retired farmer went back into harness to swell his permanent income through Social Security.

Example: G. A. Sonerholm of Webster City, Iowa, had turned his 160-acre farm over to his son and had moved into town. But he took it back in 1955 to get into Social Security.

"It's a good thing I took the farm back when I did," he says. "Last year wasn't worth a damn—two hailstorms and drought." But now he and his wife are drawing \$131.60 every month.

Others just worked harder and longer, trying to bring in the highest cash returns.

Example: An Oregon stump farmer quit growing crops that brought in very little. By buying and fattening several head of cattle, his over-all re-

ceipts were enough to boost his gross earnings to \$1,800, the maximum under the gross income rule.

- **To Reach Minimum**—Besides these cases, many another semi-retired farmer broke leases to tenants and qualified as operators by employing the tenants as farm workers.

Especially in the South, sharecroppers, tenant operators, and subsistence farmers are having a hard time in meeting even the relaxed eligibility rules. Many can't make up—or can't prove—the minimum \$800 gross earnings from farming. However, wartime work in factories and other covered employment helps some of them to fill out their eligibility needs.

- **Flushing Taxpayers**—Social Security has brought to light a lot of potential taxpayers. In order to qualify, claimants must show that they have filed income tax returns in the past two years. But in the Louisville district, some 90% of claimants had never filed returns. Scraping up cash to meet their unaccustomed tax obligations has been a hardship for some.

II. Priming Retail Pump

Some 375,000 families already drawing benefits means over \$300-million a year in spendable cash for farm communities.

So far, though, Social Security money has failed to create much of a jingle in retailers' cash registers in richer farm regions. Farmers past 65, being naturally conservative, tend to hang onto their money. Besides, they want to get the feel of the money for a while to make sure it's permanent. Most farm observers, however, foresee more liberal spending as farmers get used to the new money.

In the poorer farm communities of the South, OASI is already making itself felt. This is partly because Social Security checks look bigger in low-income areas where cash is normally scarce. But it's also because—unlike farm programs such as price supports and the soil bank, under which the richer farmers tend to get richer—Social Security is structured to bring relatively bigger benefits for the poorer people.

In Tiptonville, Tenn., a druggist, a five-and-dime store, and other small retailers report increased business because of OASI cash. Grocery and dry goods stores in Senatobia, Miss., also report bigger sales resulting from the coming of Social Security.

But OASI's role as income insurance is most graphically illustrated in north-

west Tennessee. This area of small farmers was hit by heavy rains and floods this year, drowning the corn crop and cutting cotton acreage. The resulting drop in farm income was at least partially cushioned by Social Security payments.

III. Effect on Farming

OASI's effect on farm management and land tenure is far more advanced.

A direct change resulting from OASI is a sharp lowering in the average age of farmers. Many farmers are retiring under OASI and turning over their farms to sons, sons-in-law, or tenants. More land is on the market for sale to operators who are expanding farms in order to attain an optimum size.

This is accelerating the trend toward mechanization and larger farms. And it will also help farm equipment sales.

"These young squirts," says Charles Rankin, a Washington equipment dealer, "are better educated than their fathers. They are more mechanically minded. The old fellows never did realize that the farm is a factory; the kids realize it and know that they have to have as good tools as in a factory."

- **Encouraging Oldsters**—Social Security is also encouraging farmers in their 50s to enlarge their acreage and boost their OASI claim records. For example, the Farmers Home Administration in Kentucky reports farmers in their 50s are applying for improvement and expansion loans for the first time. In the past, these loans were made almost exclusively to younger farmers.

Farm organizations, too, are feeling Social Security's long reach. In Oregon's fruit and nut growing areas, marketing co-ops are threatened with insolvency as many older farmers drop out in order to sell all their crops for cash to raise annual earnings.

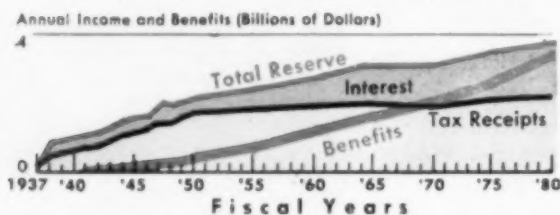
IV. Security's the Thing

These important side effects of Social Security among farmers stem from the fact that farmers are among the last of the individualistic breed. They have always had to assume a good deal of risk and uncertainty in their lives. But with income protection in old age, the elderly farmer is now often better off than the retired urban worker.

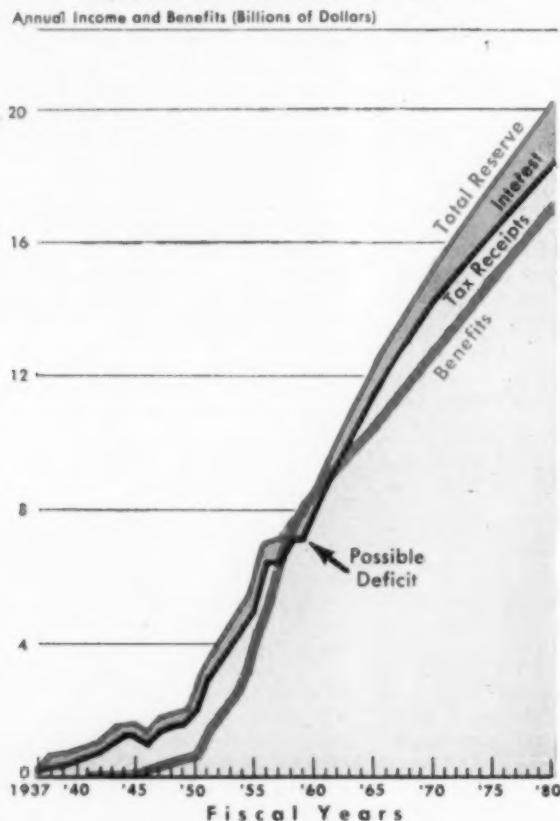
After a lifetime of farming, many farmers already own their farms. But since rental income doesn't count in the \$1,200 income limit for retirees under OASI, a retired farmer can rent out his land to his son or tenants, raise

Social Security Pensions

1 As planned in 1935, benefits would total only \$3.5-billion in 1980...

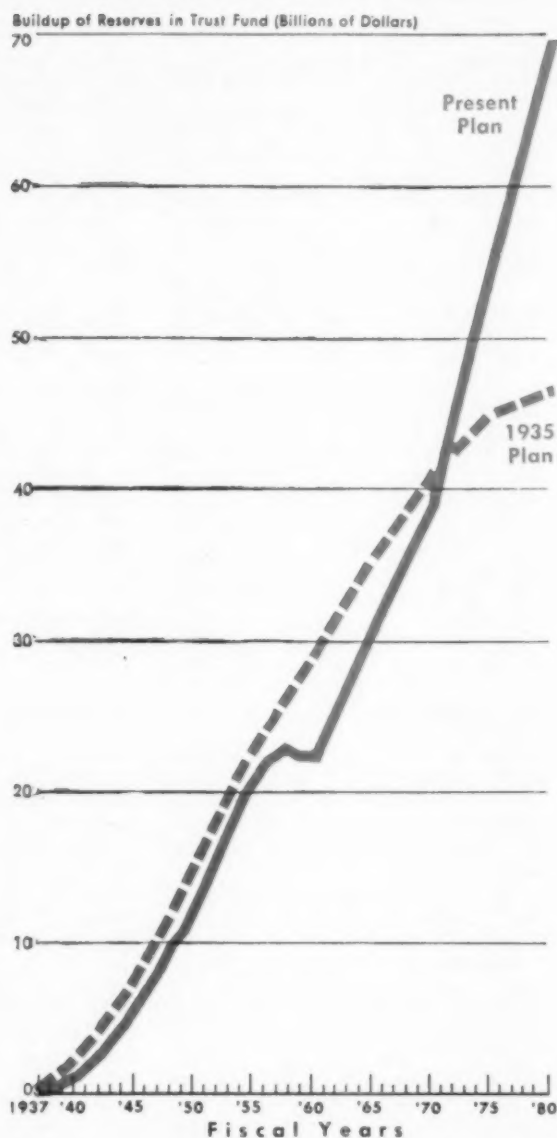


2 ... under today's forecasts, benefits will reach \$17-billion in 1980...



Data: 74th Congress, 1st Session, Senate Report 628, Treasury Dept.

3 ... But until 1970 the total in reserve funds will be practically the same



©BUSINESS WEEK

some vegetables on a small plot, and live nicely on the combined income.

• **Without Qualms**—Some beneficiaries feel a bit guilty about receiving their benefits at cut rates, but this hardly affects their enthusiasm.

"It's a wonderful thing for a pile of people," say William Moeckly, a 72-year-old farmer in Polk City, Iowa. "I haven't had it long, but as long as it's there in the law, I guess we're entitled to it."

C. A. Fox, still a farmer at 79 in Mitchellville, Iowa, claims: "The benefits are a lifesaver, I'll tell you. Social Security sure will help. The last two years have been pretty hard—10¢ hogs in 1955, and the drought last year. Without it, I would have had to keep farming a lot longer. That would have been pretty hard in time."

Here again, however, this extension of Social Security acquires its full meaning in the poorer states. In some coun-

ties in South Carolina, OASI is already relieving part of the welfare burden from county agencies. In Kentucky, elderly recipients are using their new money for such necessities of old age as false teeth, hearing aids, and long-delayed medical care.

Thus, whatever embarrassment Social Security may be causing the Treasury, it is accomplishing what it was designed to do for farmers—relieving the financial needs of old age. **END**

Something In It for Everybody

That's how Social Security has grown (chart, left). As a result, payout has exceeded income before the experts said it would. That raises financing problems.

SOcial Security was a depression-born baby. But in two wars and the greatest boom in history it has grown out of all resemblance to the original plans (chart, left).

In fact, it has grown so fast that, this year, it grew right out of its teen-age britches. Old Age and Survivors Insurance (OASI), the main program under Social Security, found that in the year ended last June 30—its 20th year of operation—it collected less in payroll taxes than it paid out in benefits (page 88).

This was an unpleasant surprise. But it didn't bring on the wild hurling of brickbats of the kind that marked Social Security's birth. Partly, this is because OASI, with 10-million beneficiaries on its rolls, has grown such big political muscles that it has cowed the opposition. But it has also become the widely accepted method of providing for the financial needs of old age—the keystone of retirement plans for millions of people.

I. Source of Money

Though it has entered polite political society—with both Democrats and Republicans seeking to put more flesh on it—Social Security in its new maturity poses some tough fiscal problems for the Treasury Dept.

Here's why. As a youngster salting away money in a reserve fund to help pay off the claimants in future years, OASI helped to support the Treasury by lending its trust fund reserves. By law, OASI's reserves must be invested only in government securities. And in 20 years, the fund has grown to \$23-billion, which means just that much that the government doesn't have to borrow in the open market.

But when OASI benefits top payroll tax collections, the balance swings the other way. This makes a billion-dollar difference to the Treasury, because OASI ran a \$1-billion surplus last year, which it lent to the Treasury. Obviously, OASI deficits could become a continuing problem for the Treasury under today's money market conditions.

Moreover, OASI has been lending its reserves to the Treasury at bargain rates. Its current charge is only 2.5% compared with 4% on a one-year debt issue sold recently to the public. This low rate results from the fact that

OASI's interest charge is figured as the average of rates on all marketable government securities with maturities of five years or more.

• **Critics Roused**—Social Security has outlived some of its critics, but its recent dip into the red served to infuriate some of its old enemies and to revive the old debate over the way Social Security should be financed.

The reserve fund has always been a special target for opponents. One school has always held out for a fully actuarial system, in which money would pile up until all benefits could be paid out of its interest income and receipts.

Another group has taken a different tack, contending that a lot of money was being piled up for nothing. Each generation of workers, this group argues, must support the non-working population out of current revenue. The burden will be the same regardless of financing. Hence, it makes no sense to accumulate a reserve of even the \$47-billion originally forecast for 1980 (see charts).

In fact, however, the original plan under the Federal Social Security Act of 1935 was a compromise. Though it provided for a growing reserve fund for many years, it also provided, if necessary, for meeting benefits and accrued liabilities out of Congressional appropriations. Thus, this year's deficit, even without the interest payment, does not pose a problem that was not foreseen. The timing, however, turned out to be a little awkward.

• **Deflation, Inflation**—Much of this awkwardness is owing to a reason that stirs up echoes from the past.

In the 1930s, it was argued that taking OASI tax money and putting it into a trust fund was deflationary. Since the plan was to build up a trust fund for five years after the plan went into operation in 1937, some economists objected that this would be depriving wage-earners of millions of dollars that would otherwise be spent and so help the country work itself out of the Great Depression.

Now, of course, OASI's impact tends to be inflationary. Whereas last year OASI was taking a billion dollars out of the spending stream, this year it was paying out more money than it was taking in. Thus, it has added that much fuel to inflation.

II. Original Program

OASI retains some of its old power to arouse fears of socialism and big government. Yet, since the 1935 act, a series of amendments has expanded

OASI coverage, eased eligibility, and raised benefit rates.

One objective of the original act was to provide income protection for employed workers in business, industry, and mining. These comprised about 60% of all workers. Workers in agriculture, domestic service, and the self-employed were excluded.

A 2% combined employer-employee tax was levied on the first \$3,000 of earnings of workers in covered employment beginning Jan. 1, 1937. The tax rate was to be raised every three years until a combined 6% rate was reached in 1949. No old age benefits were to be paid until 1942.

Old Age Assistance (OAA), another program authorized by the 1935 act, was intended to provide direct financial assistance, upon evidence of need, during the interim and also for those who were not in covered employment. Ultimately, it was hoped that OAA could be largely replaced by OASI as the chief instrument providing income protection for the aged.

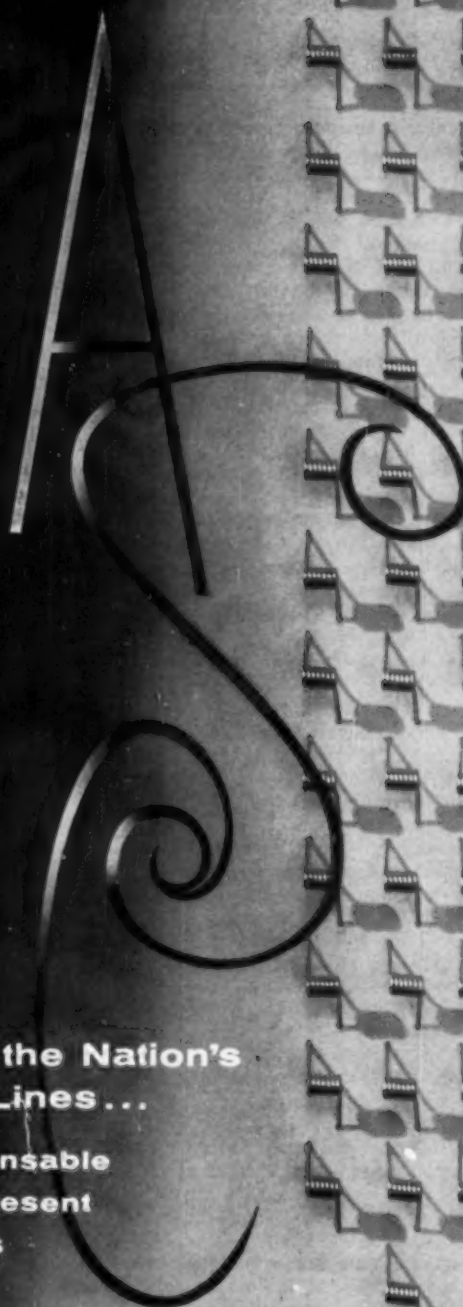
III. The Big Change

After two years of operation, Congress made the first major changes in the OASI program in 1939. The scheduled 1940 tax rate increase was set aside, and the start of benefit payments was moved up to Jan. 1, 1940. In addition, the program was expanded to include benefits for aged wives and dependent children.

But the real growth of OASI dates from the 1950 amendments, when Congress began to expand the program in earnest. Coverage was extended to domestic and farm employees, the non-farm self-employed other than some professional groups, some federal employees, and other smaller groups. The OASI combined tax was permitted to rise to 3%, while the earnings base for wage credits was enlarged to \$3,600. Monthly benefits were raised to a maximum of \$80 for a retired worker and \$120 for an aged retired couple.

• **Every Two Years**—Congress has further amended the act every two years since then. In the 1954 and 1956 amendments, coverage was extended to bring in about 90% of all paid workers. Among the more important groups were self-employed farmers, professional workers (other than doctors), state and local workers, and irregularly employed farm and domestic workers. The earnings base was raised to \$4,200 and maximum monthly benefits to \$108.50 for a retired worker and \$162.50 for a retired couple.

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erage was accomplished by giving older workers in these newly-covered employments a cut-rate deal. To provide them with benefits without undue delay, the minimum requirements were cut to 18 months' of covered work under the 1950 amendments.

- **Universal Security**—By this device, OASI was set well on the road to becoming what its proponents had originally intended—a social insurance system giving income protection in old age to all paid workers.

In 1951, OASI surpassed the direct assistance program of OAA in number of aged beneficiaries; by this summer, it has almost four times as many recipients.

The 1956 amendments contained two additional changes. They reduced the retirement age for women to 62, and they set up a separate program for disabled workers past 50. A Disability Insurance tax of 1% was added last Jan. 1, to finance the program through a separate trust fund.

IV. Cause for Worry?

With critics popping up again over this year's income-outgo deficit, Social Security officials are moving to allay Congressional fears—and possibly their own.

- **Recheck**—The red ink has prompted them to make specific explanations of the financial situation in letters to members of Congress. But just to make sure, they've taken out their slide rules to recheck their forecasts in light of this year's experience.

So far, they tend to explain away the high rate of outgo as resulting from enthusiastic responses from farmers (page 88) and women between 62 and 65. Both are regarded as being one-shot influences that do not endanger the longer-range forecasts for the system.

- **On a New Course**—But all may not be as well as these officials maintain. A reserve fund large enough to make the system fully actuarial has not been regarded as desirable, yet even friends of OASI have wanted a reserve fund about four times the rate of current benefits and expenses.

With outgo now at a yearly rate of \$7.5-billion, this formula would call for a \$30-billion reserve fund now, and further accumulation as benefits increase. Yet OASI officials predict the fund may decline by \$250-million this fiscal year, and by \$750-million in 1959.

By 1960, a scheduled 1% hike to 5% in the combined employer-employee OASI tax is expected to bring OASI back into the black. But with a predicted annual disbursement rate of \$9-billion in 1961, the reserve fund may never approach the level previously regarded as desirable. **END**

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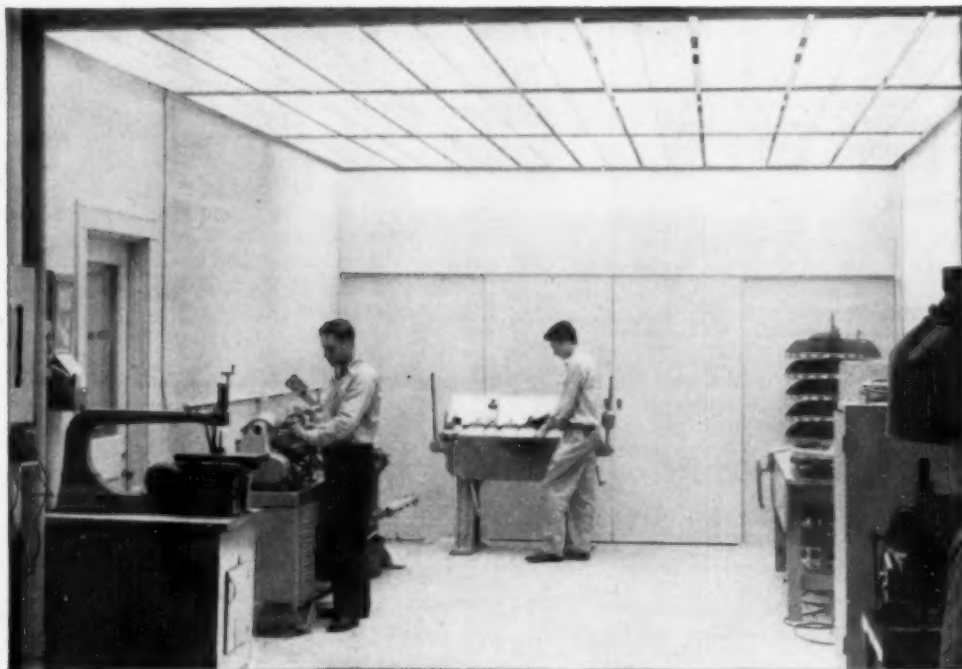
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Austria's Investors Given a Look-in

They now can buy non-voting "People's Shares" in some of the businesses that the Austrian government took over after the Nazis. The fight for the rest goes on.

SINCE WORLD WAR II, Europeans have become more and more disenchanted with nationalization—government ownership of industry. The programs, including nationalization, on which Socialists rode to power in Western Europe after the war have failed to produce the cure-alls promised by 19th Century Socialist theorists.

By this time, most European Socialists are ready to admit this. In Britain, the Labor Party has been rethinking its whole approach to economics (BW—May 25 '57, p150). In West Germany, Socialists are soft-pedaling nationalization in the current election.

• **Rightist Gain**—Little Austria—whose Socialists have usually taken their ideological cues from more powerful Western neighbors—has come up with a new switch. Its variant for industrial organization, called "People's Share," was made possible by the slight majority captured in last year's national elections by the free-enterprising, Roman Catholic, conservative People's Party.

At first glance, it looks like a return to private ownership of Austria's government-owned segment of the economy, which produces about 15% of gross national product. But closer inspection of People's Share reveals that it is not too far from what many Western Socialists might call "industrial democracy."

In essence, here's what has been done for a portion of government-owned business in Austria:

Ultimate control of the two biggest banks in the country, and of some smaller industrial enterprises, has been placed in the hands of the two major political parties. In each case, all the voting stock was turned over to the two parties—60% to the People's Party, 40% to the Socialists—who in turn sold the shares to their supporters, but retained the voting power.

This accounts for the 10% of stock which alone has voting rights. Another 60%, with no voting rights, is vested in the banks themselves. The remaining 30%—also non-voting but with a guaranteed 6% minimum dividend—has been sold to the public through the

Vienna stock exchange. It is envisioned that any future stock sales to the public—and the shares rate as a blue chip with their 7% dividend last year—would be made from the banks' holdings.

• **Everybody Wins**—Through this plan, the People's Share meets the minimum demands of both political parties. The Socialists score by blocking the return of government-owned property to private control. The People's Party gains in its campaign to give private investors a direct stake in the government-owned sector of the economy.

Whether the People's Party can persuade the Socialists to accept the extension of the formula to the rest of government-held business—virtually all of Austria's heavy industry—remains to be seen. It's widely felt now that the annual Socialist meeting in November may grant some grudging acceptance to extending People's Share.

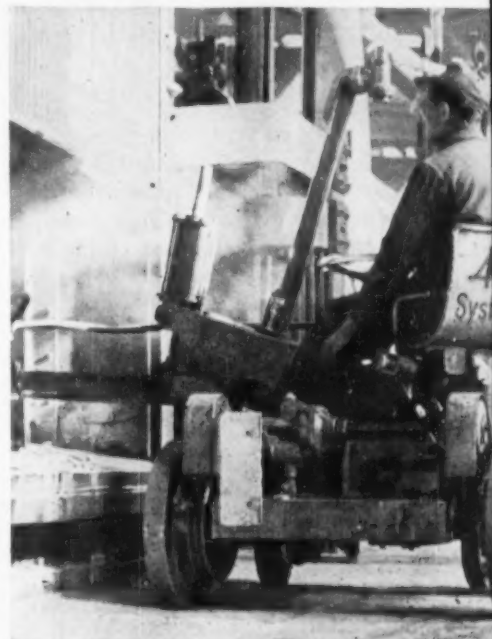
• **Multiple Woes**—Austrian wits have been saying since 1918 that their nation's situation was desperate but not serious. Versailles cut Vienna and its industrial hinterland off from the raw materials and markets of the old Austro-Hungarian empire. The economic nationalism of the 1920s and the world depression finished the job. The Austrian Republic tottered from one crisis to another, first home-grown dictatorship, then a ripe plum that Hitler picked in 1938.

No matter how bad things were in the 1930s, they looked good in retrospect when the Austrians examined their position in 1945. Ravaged by bombing, plucked by the Nazis, and then occupied by the Russians and the Allies, the Austrians didn't get final "liberation" until 1955 when Moscow agreed to withdraw its troops from the eastern third of the country. Even this gesture cost the Austrians plenty: An annual payment in industrial goods of \$25-million for six years and an additional 1-million tons of oil for 10 years.

• **The Tide Turns**—Yet, today Austria is prosperous—more prosperous than at any time in its history. With slightly less than the 7-million people it had in 1938, the nation has 2.2-million people



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CATHOLIC Chancellor Julius Raab says: "The People make up the State and it is only fair and just that the People become co-owner of state property."



SOCIALIST Ex-Minister Karl Waldbrunner says: "Everybody who welcomes social progress and wants to secure the welfare state has to defend nationalized industry."

working (not counting self-employed) compared with 1.6-million in 1938. Industrial production is more than double the 1938 level. Exports last year totaled \$990-million, almost balancing the \$1-billion worth of raw materials and food grains imported to keep Austrian industry running and its people fed.

By a strange quirk of history, the Nazi occupation has helped to make this prosperity possible. Hitler, realizing that he would need Austrian skills and raw materials as well as the more isolated position of its industrial areas from Western bombers, built huge new industrial capacity from 1938 to 1945. Such giant enterprises as the United Austrian Steel Works in Upper Austria, employing 20,000 workers, and the giant fertilizer plant at Linz, are typical examples. In addition, the Nazis took over the prewar Western-owned oil fields. Today these fields, although rapidly being depleted, produce enough oil to meet the Russian "reparations" and feed Austrian industry and transport.

• **Return Impossible**—It's obvious that returning these assets to any West German government was out of the question in 1945. So, the government took over custody of the properties, which include all of Austria's steel (24-million tons annually), 93% of its coal, all of its iron ore, 85% of its aluminum production, and 84% of electrical generating capacity. In addition, there are the country's three most important banks, the oil fields, and the large Danubian shipping fleet for which the Austrians are still negotiating with the Russians.

These enterprises—valued at an esti-

mated \$500-million—are what's at stake in the argument over People's Shares. In addition to the political arguments, the Austrian administrators of the former Nazi properties face some serious problems.

• Those enterprises that were in the Soviet occupation zone—unlike the Western Austrian plants that received Marshall Plan aid—are in a state of almost total disrepair. The Russians left them with antiquated, wornout machinery—and sometimes stripped them completely.

• The introduction a month ago of People's Shares with their guaranteed rate of return on the Vienna stock exchange has caused a slump in other stocks and bonds. But proponents of the plan point out that savings in banks haven't dipped, proving that new sources of savings are being tapped.

By July 15 the shares had climbed 38 points over their January issue price of 100 points. So the Socialists charge that People's Share stocks have been issued below their value. They also charge that shares have found their way into a few hands. Both these problems will undoubtedly come up again in any new issues.

• **Could It Spread?**—Whether this Austrian experiment will have any broader meaning that can be applied elsewhere in Western Europe remains to be seen. Dr. Heinz Nordhoff, the manager at West Germany's government-owned Volkswagen, has turned down the idea of the People's Share as a means to settle that company's future (BW—Jan. 26 '57, p169). However, Austrian managers have protested no less adamantly against the whole plan. **END**

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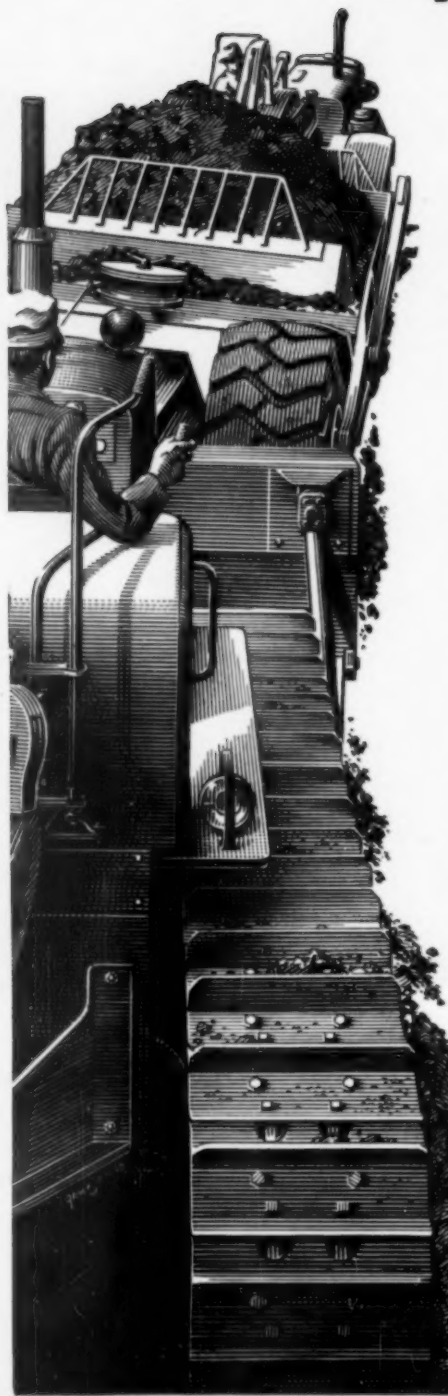
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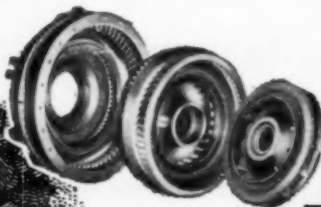
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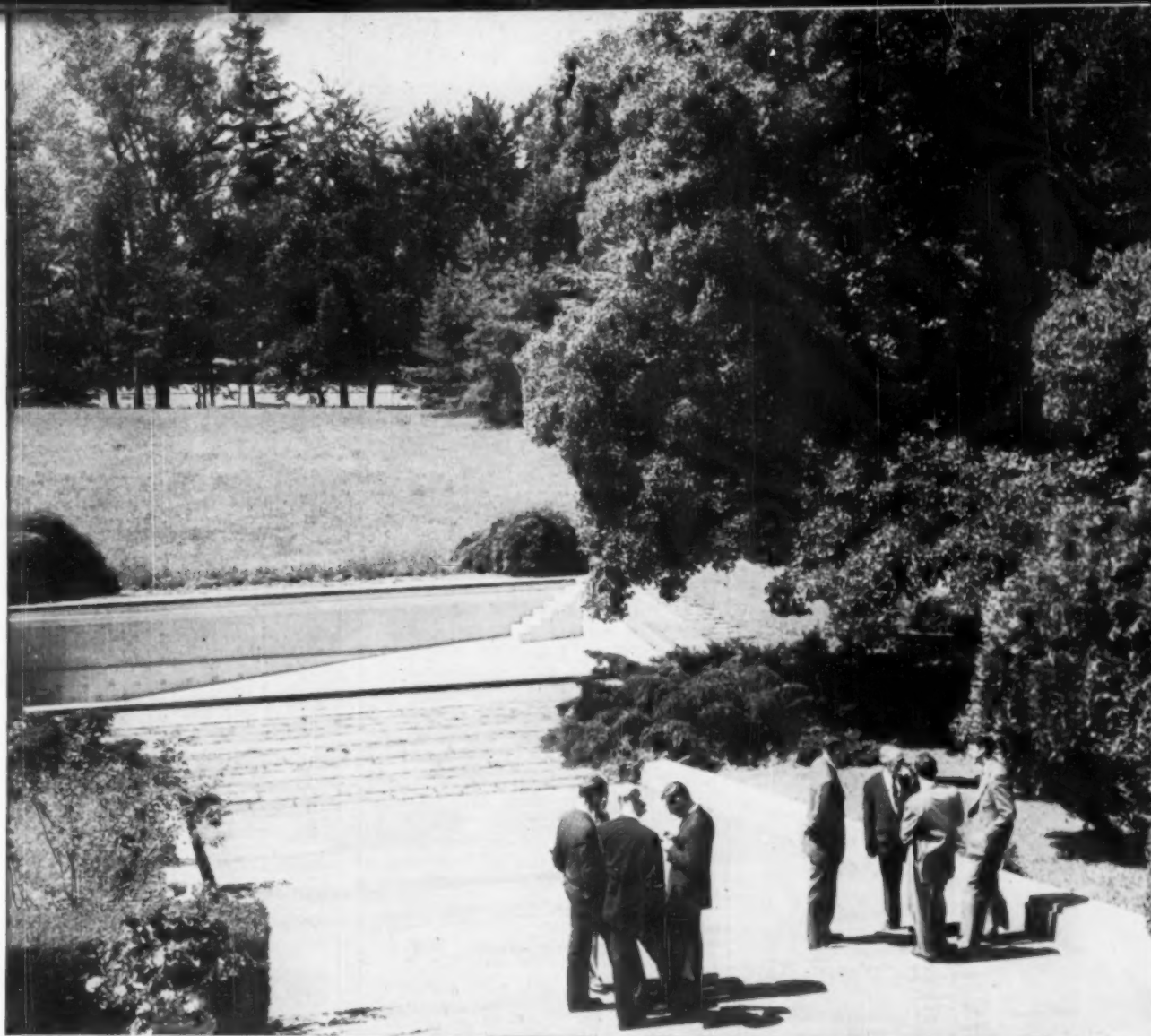


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Nestlé's Management Development Institute will feature Harvard-type courses for its employees and other students.

IN LAUSANNE, Switzerland, on the shore of Lake Geneva is Bellerive (picture)—a roomy estate of woodlands, tailored shrubbery, and broad vistas—that looks like the retreat for a well-to-do European businessman.

Soon, this idyllic spot will become the campus for Western Europe's newest experiment in business education—the Ouchy Management Development Institute set up by Nestlé Alimentana Co., the Swiss chocolate and coffee firm.

• **U.S. Provides Pattern**—In mid-September, over 35 young men between

the ages of 28 and 38 from all over the world will begin an eight-month course at Bellerive roughly patterned after Harvard Business School's middle-management program.

Businessmen and educators from both Europe and the U.S. will be watching to see how the institute's first year works out. That's because of the unique concepts on which the school is based.

For one thing, the institute is the first full-scale attempt to create a miniature Harvard B-School in Western Europe. It has a six-man, hand-picked staff of professors schooled in the techniques of Harvard B-School instruction. And it plans to use the case study method—just like Harvard—where students tackle "live" business problems.

• **International Flavor**—Almost as sig-

nificant is the way Nestlé is sharing the institute's facilities with other companies. Nestlé is financing the whole venture. But it's letting in a large number of students from other companies to give the school a truly international flavor. In the first year's class, about one-third of the students will come from such companies as Swissair, IBM International, Givaudan (perfume company), and Hoffmann-LaRoche. Next year the proportion will run closer to two-thirds outsiders, one-third Nestlé.

Actually, the Ouchy Institute is only one more step in Western Europe's postwar campaign to modernize business education. Right after the war, the Marshall Plan helped start the ball rolling. Assistance was given to European universities that wanted to revamp old-

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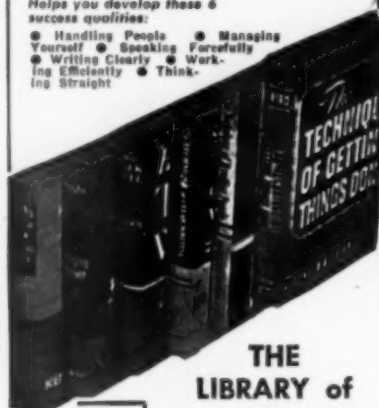
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CLARK MYERS, formerly of Harvard and Ohio University, heads up Ouchy Institute.

style "commercial schools" along the lines of top-grade U.S. business schools. Even today, the European Productivity Agency—a hangover from Marshall Plan days—is continuing to give this kind of assistance.

• **European Business Schools**—European companies have also played a big role in pushing business education. Like U.S. companies, they have needed more trained management men in a time when business everywhere is rapidly expanding. And sending young men to the U.S. for up-to-date training has not always been the best answer.

Thus, European companies have backed many educational projects, among them:

- An Italian business school, called IPSOA, at Turin set up by Olivetti and Fiat with visiting Harvard professors.
- A Swiss school at Geneva, financed by Aluminium, Ltd., primarily for training Aluminium personnel.
- A French school at Lille (BW-Dec.1'56,p91) mostly for businessmen in the Lille area of northern France.

Now the Paris Chamber of Commerce is organizing a "European School of Business" centered in Paris. This school probably will focus on management problems raised by the Common Market agreement, which aims at integrating the economies of Western European countries.

Still another program is the "pool-of-professors-project" backed by the Ford Foundation. This \$98,000 program will provide a pool of American professors for helping launch new business courses and business schools in Europe.

For Nestle, the new Ouchy Institute makes good sense. From its main offices at Vevey—not far from Lausanne—the company runs a worldwide empire of some 132 major plants. Its annual gross sales come to about \$1.1-billion.



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On the educational side, Nestle looked for the best. It got Clark E. Myers—ex-Harvard teacher and dean of Ohio University's business school—to run the institute. He, in turn, helped round up a Harvard-trained staff—not just temporary men but a permanent nucleus, including Prof. Harry R. Tosdal, noted member of the Harvard B-School staff who retired recently. Nestle has guaranteed that institute professors would earn as much as they had been earning in the U. S. (including money from consulting fees).

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In Business Abroad

• • •

West Europe Sees Common Market As Boon to Trade, Survey Shows

Western Europe will soon be feeling the economic effects of the Common Market treaty. But few European—or American—businessmen have a clear idea just exactly how the treaty's provisions will affect their businesses.

This is one of the main conclusions of a survey of exhibitors and visitors—just completed—that was made at this spring's trade fair in Milan.

Despite widespread ignorance on details of the treaty, roughly six out of seven interviewees favored the Common Market. In terms of Italy alone, businessmen believed the Common Market would boost Italian exports to France, Belgium, Holland, and Germany—in that order—and accelerate imports from Germany, France, Belgium, and Holland.

• • •

Earthquake Takes a Multi-million Toll, Upsets Mexico City's Tourist Trade

U.S. tourists south of the Rio Grande were patching up cuts and bruises—and racing for homeward-bound planes—after the major earthquake that hit central Mexico last weekend.

The earthquake may temporarily knock down Mexico's tourist record—one of the country's biggest dollar earners. Otherwise, most U.S. businessmen in Mexico City had little more to worry about this week than debris-filled offices, broken windows, and interrupted communications with subsidiary plants around Mexico.

Here is the rough picture of the damage in Mexico City: Fewer than a dozen buildings collapsed—and only two were large buildings. The International Building, headquarters for many U.S. companies, suffered severe damage. The \$5.5-million Continental Hilton opened last December took a beating—engineers just flown in are figuring how badly it was hit. (The Hilton hotel being built in Acapulco escaped with just two floors damaged.) The city's 44-story skyscraper engineered along the lines of Frank Lloyd Wright's quakeproof Imperial Hotel in Japan survived without a single broken window.

All told, damage repair in Mexico City alone will cost an estimated \$10-million.

• • •

Japan Nears Its Export Goal, With Biggest Gains in Dollar Area

Japan's export boom that got under full steam last year is continuing to pick up speed.

Exports for the first half of this year amounted to \$1.4-billion, or 18% above the same period last year. At this rate, Japan may surpass its 1957 export goal of \$2.9-billion.

Biggest and most hoped-for gain was in the dollar area—\$633.6-million or 23.6% over last year. Exports to the U.S. alone rose 8.7%, mostly from expanded machinery and food sales.

The only sour note is the 52% decline in textile exports to nearly bankrupt Indonesia. But a 47% increase in exports to Communist China is helping balance this.

• • •

Bonn Brings Government Banks Under One Organizational Roof

The bank of Deutscher Laender is West Germany's central bank, the rough equivalent of our Federal Reserve Bank. It began operations in 1948 to manage Germany's complex currency reform, handled business in the nine years since through a highly decentralized network of 10 "state banks."

Now the German parliament has O.K.'d a plan to revamp the network under a somewhat more centralized setup. As of September, the new banking organization will go by the name Deutsche Bundesbank. The state banks will become, in effect, direct subsidiaries of the central bank.

This move toward centralization stems from reasons of better efficiency—and political pressure. But it somewhat parallels the gradual reconcentration of German industry that has taken place over the past few years. After the war, the Allies split up West Germany's industrial giants such as Krupp and I. G. Farben. Recently, for the old reason of economic efficiency, the successor companies have renewed their earlier ties. But they have stayed a good distance this side of becoming prewar cartels all over again.

Now, in the banking field, the new Bundesbank will bring the spread-out state banks under a more simplified organizational roof. But, says one observer: "It's still much less centralistic than the old German Reichsbank of prewar times."

• • •

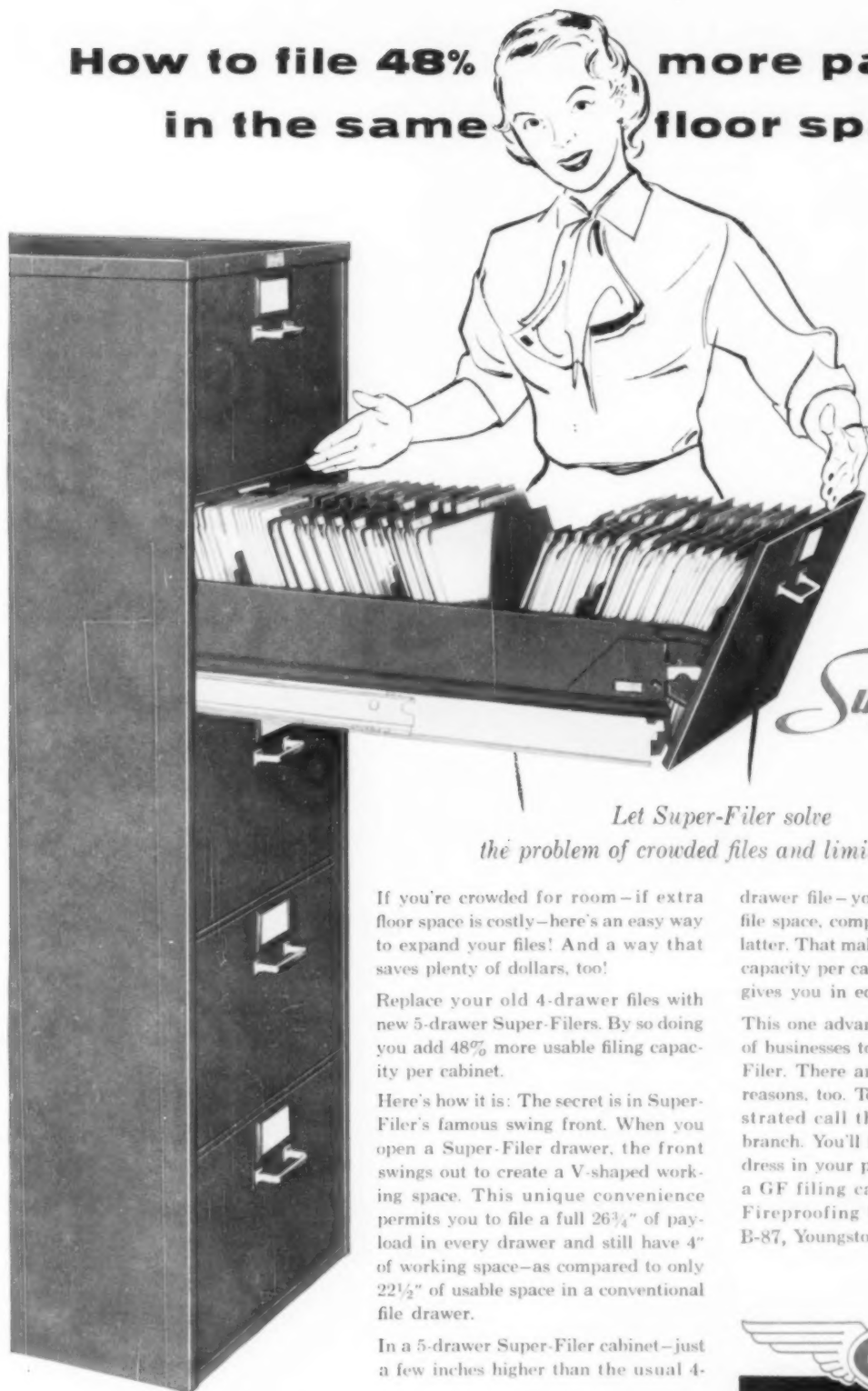
Business Abroad Briefs

British car exports to the U.S. are running at a record high—43,000 for the first six months of this year, or three times the 1956 figure. Another bright sign: Argentina, long-time trader with Britain, ordered 3,400 cars through June compared with 117 for the 1956 period—making the country Britain's third (after Canada) largest market for car exports.

A second transatlantic telephone cable, costing \$40-million, will be laid and put into operation during 1959 between Cherbourg, France, and Clarendville, Newfoundland. The first cable began operating last year.

Making room: Pan Am's Intercontinental Hotels Corp. has moved in on the Dominican Republic with the purchase of two hotels—run by New York's Ambassador International Corp.—for \$9-million. That makes 11 hotels IHC operates in Latin America, with three more there and a fourth in Beirut to open within the coming year.

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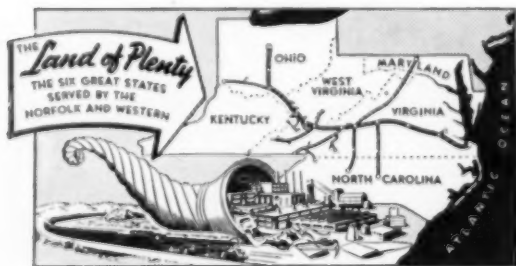
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

AUG. 3, 1957



The London arms control talks are nearing some kind of climax. Before the end of the month it should be clear whether the Russians mean to go on negotiating.

Secy. of State Dulles rushed to London last weekend to forge a united Western position on Pres. Eisenhower's "open sky" plan. Dulles figured there was no way of testing Soviet intentions until the Western allies had reached full agreement.

At midweek, it looked as if Dulles had achieved his goal. By the weekend, the Soviet negotiator, Valerian Zorin, should have the Western proposals—with Dulles, rather than Harold Stassen, making the pitch.

At that point, a recess seems likely—to give Zorin time to go back to Moscow for instructions. Then the Kremlin might send Zorin back to London to present the Soviet position or might take the arms control question to the U.N. General Assembly in New York.

If the Russians go to the U.N., it could mean that their real interest is propaganda. Or it might mean that they want the discussions close enough to Washington so their representative could talk directly with Pres. Eisenhower. In any case, you should get a clue to the outcome of the London talks.

After 18 months on dead center, the British economy has begun to expand again. Industrial output in June regained the peak level of late 1955. Already the number of unemployed workers has dropped below the number of available jobs. That is an indicator of overemployment.

The stimulus to production comes partly from rising exports, partly from rising retail sales. This summer's cut in defense orders hasn't had any effect yet. So the added consumer and export demand are pushing against a ceiling of resources. In postwar Britain, that has always meant future trouble for the balance of payments. What's more, British trade union leaders are in a belligerent mood. They are set to push for further wage increases.

The French cabinet is battling bitterly over economic policy. The young finance minister, Felix Gaillard, is determined to give France a real dose of austerity—to slow the expansion of the past two years down to a halt. Its main weapon would be a drastic budget cut. He wants to drop 600-billion francs from the 1958 budget, mainly from prestige expenditures and subsidy programs.

Other ministers are resisting cutbacks in their departments, just as Premier Bourges did when he was defense minister in the Mollet government. Everything hinges now on whether Bourges sides with Gaillard or with the majority of the cabinet.

France is paying heavily for the lax financial policy of the Mollet government. The nation's trade deficit for the first half of 1957 is about double the six-month deficit a year earlier. That's because imports rose in a year by 30%, while exports rose by only 11%.

If France meets the drain on its gold reserves simply by curbing imports, it will never live up to the commitments it has made in ratifying the Common Market. That's one of the reasons Gaillard wants to get at the root of the trouble—too much government spending.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

AUG. 3, 1957

Despite inflationary pressures in Britain, France, and other continental nations, European economists are now worrying about a tendency to international deflation. They see signs that trade in the free world is being restricted by a growing shortage of finance—money being drained out of the international payments mechanism by a flow of funds to the U.S. and West Germany. For part of the past two or three years, these economists argue, sterling provided a substitute international currency. But the strain became too great for the British economy to carry.

Some European economists think that balance-of-payments deficits will spread rapidly across most countries and lead to a slump in trade and in industrial production. They want to see the problem tackled internationally—at the upcoming International Monetary Fund meeting in Washington, for example.

—●—

The Italian Communists are taking a real drubbing these days. They have suffered setbacks both inside and outside their party.

- One of the most popular Communist leaders, Antonio Giolitti, has just quit—after failing to get the party to follow an anti-Soviet line. The defection of Giolitti, grandson of a famous Italian statesman, is a sure sign that Communism is disintegrating in Italy. It follows the defection of hundreds of intellectuals and the loss of popular support.

- Pietro Nenni is pushing his leftwing Socialist party to support the Rome treaties that establish a Common Market and Euratom. Nenni's colleagues in the party leadership are ready to back Italian ratification of the treaties and to break completely with the Communist Party line on the Common Market. This assures a parliamentary majority for the treaties. It also opens the door for the long-debated merger of the Nenni Socialists and the pro-Western Saragat Socialists.

—●—

Argentina's provisional government, headed by Gen. Pedro Aramburu, didn't do too well in this week's election—the first since Peron's downfall in September, 1955. Pro-Aramburu parties got roughly half the 8-million votes cast for delegates to a constituent assembly. If you add the blank "protest" ballots cast by Peronistas to the votes won by the leftwing Radicals of Arturo Frondizi (BW—Jun.29'57,p132), you find the makings of political instability.

Businessmen in Buenos Aires are relieved that Frondizi didn't win. But some Americans fear that the newly elected delegates—to clinch votes for next year's Presidential election—will write a slew of provisions against foreign investors into Argentina's new constitution.

—●—

The assassination of Guatemalan Pres. Carlos Castillo Armas hasn't thrown his government off keel. There was no revolutionary plot. Apparently the shooting was the work of a single pro-Communist fanatic. Real worry now is whether rightwing elements in the Guatemalan army will try to take over before the elections late this year.

Washington hopes the interim government will continue Castillo's middle-of-the-road policies. With the help of \$71-million in U.S. aid (for highways and agriculture), Castillo managed during his three years in office to check inflation and make friends among U.S. business interests.



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CURTISS HAWK P-6-E

These fighters were the first to be ordered in quantity. The P-6 series was flown from 1932 to World War II. Top speed 198 MPH, ceiling 25,800 ft., 600 HP engine. Could carry 250 lb. bomb load. Had a range of 460 miles.



BOEING P-12D

This fighter was an outstanding acrobatic plane and was used by Air Force pilots in air shows during the thirties. Top speed 189 MPH, ceiling 27,900 ft., nine cylinders 500 HP engine.



CURTISS P-40

This famous fighter did yeoman service for the Allied cause during the early days of World War II in both theaters of the war. Top speed 365 MPH, ceiling 36,800 ft., 1000 HP.



NORTH AMERICAN P-51

Another, but later World War II plane was this low altitude fighter that bore the name of the "Mustang". 15,576 of them had been built when production ceased in 1946. Still in use by many foreign air forces. Top speed 437 MPH, ceiling 20,000 ft., 1490 HP.



LOCKHEED F-80A

The first U. S. jet fighter to be produced in large numbers. Called the "Shooting Star". Used extensively in Korea. Still in use by many Air Force training units. Top speed 594 MPH.



MCDONNELL F-101A

The "Voodoo", one of the latest U. S. military jets. A two-engine supersonic fighter. No performance figures have been released but has been credited with a speed in the region of 1300 MPH.

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Hoffa at the Crest of the Wave

● Ovation by Teamsters leaders seems to assure his election as president, succeeding Beck.

● His "ultimatum" makes it hard to see where big union and AFL-CIO can compromise, or what the federation can do about him unless McClellan hearings trip him up.

● And with Hoffa in power, businessmen face prospect of tougher bargaining, more areawide contracts.

Eight hundred "friends" jammed the Louis XVI Room of Chicago's Shoreland Hotel last week to give James R. "Jimmy" Hoffa what he described as a mandate to seek the presidency of the International Brotherhood of Teamsters.

The unionists, twice the number prepared for, gave Hoffa a standing ovation when he entered the ballroom. The rugged, rough ninth vice-president of the Teamsters read a 2,500-word statement of policy. Afterward, one of his closest aides, Harold Gibbons of St. Louis, nominated Hoffa for IBT's top job. That set off a "spontaneous" demonstration.

Hoffa's caucus delegates, from 32 states, climbed on chairs, cheered the man who—just a week before—had won a surprise acquittal in federal court. Hoffa watched shrewdly during the prolonged demonstration.

When it quieted, he told the group: "There's nothing I can do but carry on with your wishes. . . . If I am elected, I will devote my full time and energy . . . in behalf of every officer and member of our union."

• **As Planned**—It was all according to script, except for possibly one thing—the large turnout. Sponsors, aware of the adverse psychological impact of an overprediction, had talked cautiously, in advance, of an expected 200 attendance. They prepared for a possible 500.

But 800 showed up, quickly exhausting the printed material and overtaking the accommodations. It was obvious from who they were that the Hoffa bandwagon was gathering momentum.

Reform forces in the Teamsters were glum. So were AFL-CIO observers.

• **O'Brien Yields**—John T. "Sandy" O'Brien, Chicago "clean-up" candidate for the presidency now held by Dave Beck, virtually withdrew from the race. "Jim has 75% of the Teamsters vote," he said and added, "It kind of breaks your heart a little bit."

In Hoffa's eyes, O'Brien was a lead-

ing contender for the Teamsters presidency as long as the serious federal charges against Hoffa were in court. There were others, perhaps a half-dozen or so, but O'Brien had the broadest, most substantial backing. That dwindled in a week. Many who had pledged support to O'Brien hopped on the Hoffa bandwagon at the caucus.

The defections—only the first—for all practical purposes, killed the Teamsters reform movement. The leadership will change, almost inevitably to Hoffa. The union's constitution will be amended. But it is hardly likely that the Teamsters will gain any substantial acceptability.

• **Defiance**—Hoffa's candidacy for the presidency is, in effect, a challenge to the federation's leaders and defiance to Sen. John L. McClellan's investigating committee—which still believes that Hoffa is one of the powers behind the forces it is trying to ferret out from positions of power in labor.

AFL-CIO leaders and reform forces in the Teamsters are on record for a new and clearly "clean" leadership for IBT. Federation spokesmen say Hoffa doesn't measure up to that description. Moreover, they are concerned over Hoffa's support for Beck against those who want IBT's discredited president ousted from office immediately and denied any future connection with the union—no matter how tenuous.

• **Pat on the Back**—Hoffa announced last week that he won't vote to oust Beck at the Teamsters executive board, now delayed until Aug. 19. He told a BUSINESS WEEK reporter, "Beck, because of his long years of service, doesn't deserve anything less than the right to appear at our convention this fall as president." Whether Beck should be named president-emeritus, at a \$50,000-a-year salary, is "something for the convention to decide, not AFL-CIO," Hoffa added.

These statements are interpreted as omens of trouble by AFL-CIO. And

Hoffa added others. He sharply criticized federation policy against the use of the Fifth Amendment as a defense in investigations—although he said he, personally, wouldn't invoke it—and expressed concern over "the trend toward concentrated power as developed in the national office of the AFL-CIO."

• **Veiled Ultimatum**—He added that the Teamsters "will never leave the AFL-CIO voluntarily," but continued, "I don't want the inference to be left that we are willing to sacrifice the autonomy of our international."

"We will not give up our rights for the sake of staying in the AFL-CIO. Pres. George Meany must recognize democratic procedure and a union's right to make its own decisions," Hoffa warned.

Although in the framework of a generally cautious statement, these words had, to AFL-CIO, the ominous sound of an ultimatum in an area where compromise will be hard—if not impossible. They could be the forebodings of a break in the federation that could involve not only the Teamsters but also other similar-thinking unions.

Hoffa's statements concerning relations between the Teamsters and AFL-CIO obscured something of possibly more direct importance for employers: Looking ahead to the IBT presidency, Hoffa laid the groundwork in Chicago for a generally tougher Teamsters bargaining policy—one calling for more areawide contracts, higher and more uniform wage scales.

• **The Constitution**—Recommended changes in the IBT constitution would provide, in part:

• Future contract proposals must be approved by Teamsters Joint Councils and State Conferences before they can be submitted to employers.

• If the bargaining is in a field where the union has or plans an areawide agreement, the proposals must be submitted to the Area Conference for prior approval.

• If the IBT international executive board believes a contract "will adversely affect the interests of the members involved or any other members" of the union, the board can bar the contract from being put into effect.

These are disquieting changes to those employers who now work out Teamsters contracts on a company by company basis. Other amendments suggested by the Hoffa caucus would strengthen the union's already-tough picket lines. All add up to a prospect,



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for employers, of more troublesome relations with the Teamsters if Hoffa wins the presidency.

While it now seems a shoo-in for him, AFL-CIO and the McClellan committee are still factors that must be reckoned with.

• **New York Hearings**—After a year of preparation, and a month-long delay awaiting the end of the Hoffa trial, the Senate investigators this week opened public hearings on Teamsters affairs in New York City—and Hoffa's influence and connections there.

Hoffa and his close advisers aren't worried—at least, openly. Gibbons scoffed at the New York probe. "Hoffa is one of the most-investigated men in America," he said. "He's never been convicted of anything—except for a traffic violation. Arrested, yes. But only for things directly connected with the union, like picketing." And Hoffa added, "There isn't anything in New York that I can't explain to the committee—or to AFL-CIO."

The committee, which has been criticized for overconfidence in the recent bribery-conspiracy case brought against Hoffa, is cautious in what it says, now. However, it believes Hoffa may be vulnerable in New York.

Through a parade of 100 witnesses including, according to McClellan, "some of the toughest characters in America," the committee will try to develop ties between the Teamsters and racketeers. Two key witnesses will be John "Johnny Dio" DioGuardi, who last week was convicted of labor extortion, and Anthony "Tony Duck" Corallo, a local Teamsters official.

• **"Paper" Locals**—Committee Counsel Robert Kennedy opened the hearings this midweek by describing, in painstaking detail, how seven "paper" locals of the old AFL United Automobile Workers (not Walter Reuther's UAW) were transferred to the Teamsters in time to affect a fight for power within the IBT's Joint Council 28 in New York. Kennedy showed, through charts, the indictments and convictions of the union leaders involved, how their maneuvering controlled the trucking industry in New York, and what their potential control could be.

Demonstrating the complexities of the interunion maneuvering is secondary to the main committee aim—to substantiate the alleged influence of Hoffa and his use of Dio, Corallo, and other underworld figures to control the key trucking center. In addition, the committee will probe into Hoffa's proposed loan to the International Longshoreman's Assn. which would have extended his influence to the waterfront.

Most of the Teamsters witnesses are expected to invoke the Fifth Amendment. This will bring a showdown with AFL-CIO that much closer. **END**



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Labor Secretary's Right Hand Man



TOP DUO in Labor Dept., James T. O'Connell (left), Under Secretary, and James P. Mitchell, Secretary, first worked together in Army. Now they are back together.

MEETINGS are part of O'Connell's daily routine. With him are (at left) Walter Wallace, O. Glenn Stahl and (at right) Christopher Phillips, all staff aides.

James T. O'Connell first worked under Secy. Mitchell in the Army. They clicked as a team. So, Mitchell has made O'Connell his chief administrative aide.

JAMES T. O'CONNELL owes his job as Under Secretary of Labor to the fact that an Army superior officer wondered, 17 years ago, whether a young reserve officer was lazy—or smart.

Labor Secy. James P. Mitchell, the superior officer, tells the story. He had just been assigned to head the Labor Relations Section of the Industrial Personnel Div. of the Office of the Quartermaster General. His office was a glassed-in corner looking out on row on row of desks manned by crisply uniformed officers.

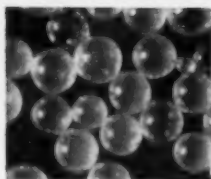
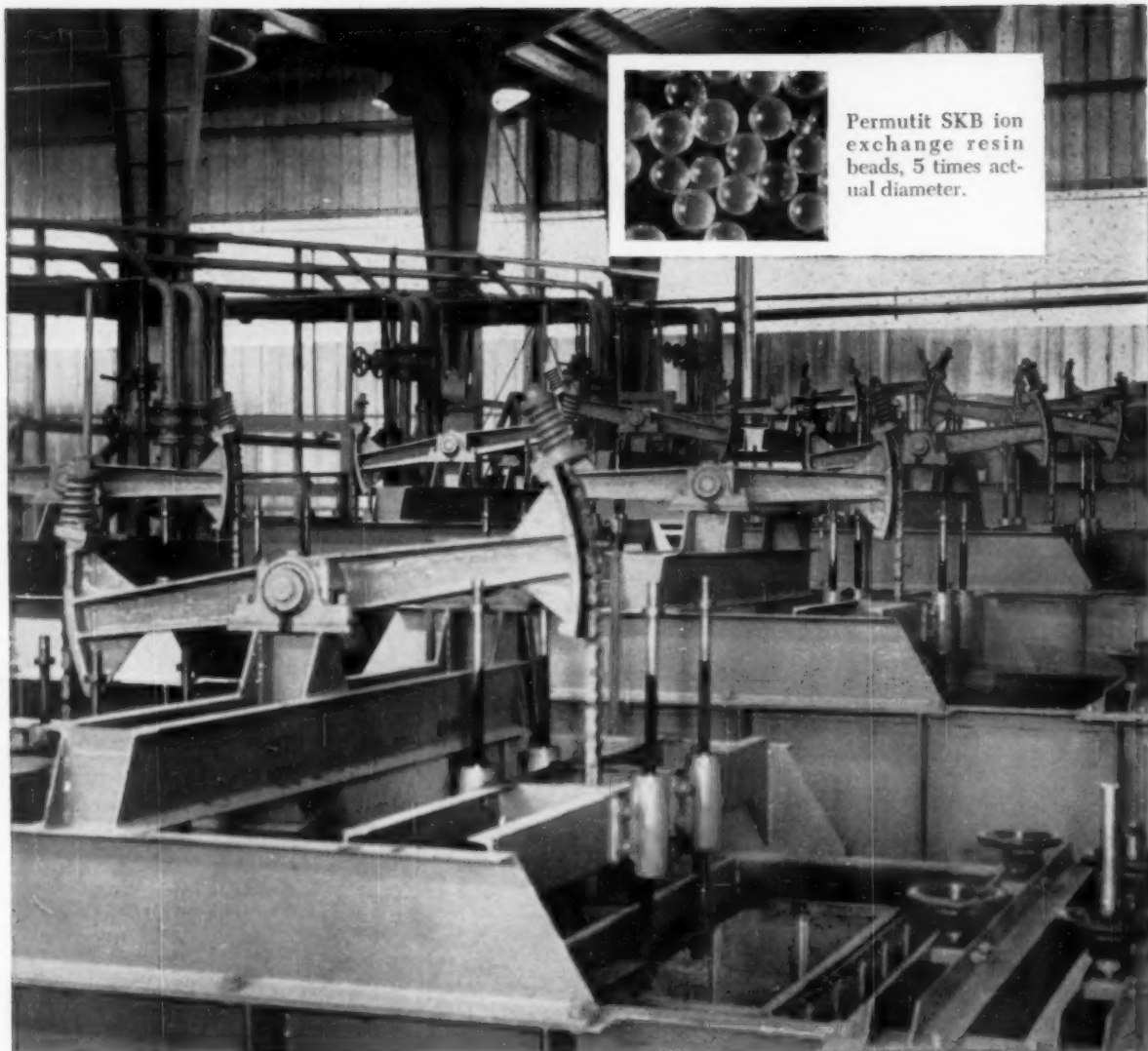
• **Early Encounter**—According to Mitchell, time after time when he looked out all of the officers except one were busy at their desks, or pretending to be. "One captain never looked busy," Mitchell recalls. "Every time I looked out he was leaning back in his chair, sometimes with his feet up on his desk. I decided he was either the laziest man in the section, or the smartest. I called him in one day, to find out which he was."

They chatted for about an hour. The





STAFF AIDES, W. Dwane Evans (left) assistant BLS commissioner and Ewan Clague (right), BLS chief, confer with O'Connell.



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"... O'Connell must be able to anticipate Mitchell's viewpoint—not always wait for it ..."

STORY starts on p. 112

conversation led to O'Connell's appointment as Mitchell's deputy, executive officer of the section from 1940 to 1943. More important than that, the decision that O'Connell was "smart" started a long, close relationship with Mitchell that has now placed two similarly experienced, parallel-thinking industrial relations professionals in the top jobs of the U. S. Dept. of Labor.

I. The Top Duo

This is important because of the way their jobs fit together. In business language, Mitchell is the corporate head, or president, and O'Connell his executive vice-president. As a matter of fact, the Labor Secretary frequently refers to the Under Secretary as his vice-president in charge of operations, sometimes as his general manager.

- **Separate Functions**—While Mitchell takes full responsibility for everything that goes on in the department, and makes the final decisions, he feels that his job, primarily, faces out from the department—to the White House, the Cabinet, Congress, other parts of the government, and the public—especially the labor public. He is in constant demand for conferences or special high-level assignments, for speeches, and for other important outside contacts.

O'Connell's job, on the other hand, primarily faces into the Labor Dept. As Mitchell's administrative officer, he concentrates on the day-to-day routine, interpreting and carrying out the Labor Secretary's policies. In a governmental department, bureaus develop a tendency to function autonomously and resent to a considerable degree direction from higher up—interference, they call it. Giving the eminently capable bureau specialists all the leeway possible, while at the same time coordinating and integrating their activities, is a full-time responsibility.

It is an oversimplification to say only that Mitchell's job faces out from the department, O'Connell's into it. The Labor Secretary is, of course, never completely free of the problems involved in the complex inner workings of the organization under him. The Under Secretary, as Mitchell's top-ranking aide, must frequently do an about-face to act in his absence in sitting with the Cabinet, in contacts with the White House, Congress, business and labor, and others with whom the Labor Secretary normally deals.

- **Close Rapport**—This means that a close rapport is necessary. Mitchell must be able to rely on O'Connell to

make certain acceptable decisions as problems come up; O'Connell must be able to anticipate Mitchell's viewpoint—not always wait for it.

The long association of the two men makes this possible. They say that, for the most part, they think alike. To keep the teamwork running smoothly, they try to sit down together at least once a day to mull over progress and problems.

There is nothing new to this personal coordination. They've functioned together on such an informal basis since O'Connell became Mitchell's deputy for the first time back in 1940.

II. O'Connell's Background

O'Connell got into Mitchell's office at the time by something of a fluke.

A native New Yorker, born in 1906, O'Connell took a civil engineering degree from Columbia University in 1930. O'Connell picked up a little work, here and there, then—with the advent of the New Deal—was kept busy on Public Works Administration, Federal Emergency Relief Administration, and other "make work" projects.

- **Army Call**—Later, until September, 1940, he worked as a construction engineer for private construction firms in and around the New York area. With war clouds threatening, and the country's defenses being built up, O'Connell accepted a commission of captain from the Army Reserves. The ink was hardly dry on his commission when he was called to active duty, as a construction engineer.

Shortly after he reported for duty, he was ordered to the office of his commanding general. According to O'Connell, "I shook in my boots."

"What do you know about labor?" the general asked.

"Not much," O'Connell admitted. He said he had been a construction superintendent on largely unionized building projects in the New York area. He came into contact with unions in that way. But, he said, he had no real training or experience in industrial relations.

- **Labor Assignment**—The general was pleased. The reserve captain before him knew what a union was and the problems it could cause, but he did not profess to "know it all." He assigned O'Connell to the new Labor Relations Section of the Office of the Quartermaster General. Mitchell took over as head of the project not long afterward.

O'Connell hasn't worked as an engineer since. For 17 years now—eight less

than Mitchell—he has been in or on the fringe of industrial relations.

His initial experiences, with the Army in the early 1940s, involved smoothing the way for essential construction and production. This meant wage problems to be handled, a long succession of disputes to be guided to settlements without stoppages that would interfere with essential work.

The experiences broadened as he moved, with Mitchell, to other assignments—becoming chief of the Labor Relations Branch of the Office of the Chief of Army Engineers, then executive officer of the Industrial Personnel Div. of the Army Services Forces. From a fledgling captain with "not much" knowledge of labor, he developed into a specialist, both in labor relations and in the development and procurement of manpower. When he left the Army—with the rank of colonel—he had the Legion of Merit Award, the Dept. of Army's decoration for exceptional civilian service.

- **Civilian Jobs**—After his discharge, O'Connell served briefly with the federal government in a civilian capacity. Then in May, 1946, he became associated with the Publix Shirt Corp. in New York, first as director of personnel but in a short time as vice-president in charge of industrial relations.

His experience before had been primarily with building trades unions. With Publix, he was involved mostly with unions in the softgoods field, and particularly with the Amalgamated Clothing Workers of America. ACWA dealt with O'Connell for 10 years and, according to Pres. Jacob Potofsky, was impressed with "his fairness and his devotion to the concept of enlightened labor-management relations."

O'Connell maintained his close contact with Mitchell, who a little later settled down as an executive with a New York department store.

- **Back Together**—In October, 1953, Pres. Eisenhower named Mitchell Secretary of Labor. A few months later, O'Connell was working quietly, on the side, as a consultant to the Secretary in the field of manpower and industrial relations. Friends said, at the time, that sooner or later O'Connell would be in the Dept. of Labor in an active capacity, not just as an adviser.

The key job, as Under Secretary, was held by Arthur Larson. When Larson resigned early this year, to head the U.S. Information Agency, Mitchell named O'Connell as his successor.

III. Integration Program

Just hours later, according to O'Connell, he had an experience similar to that when he was summoned, as a young reserve captain, to his commanding general's office. His first assignment as

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Under Secretary was to hurry over to the White House to sit in for Mitchell at a Cabinet meeting.

How did he feel? "Like a green kid in a bunch of important men," he says, now. After six months, and a number of Cabinet sessions, the nervousness has gone but he's still "impressed every time."

• **Need for Administrator**—Mitchell chose O'Connell as Under Secretary to fill what he considered to be a pressing need for an administrator in the Labor Dept. Larson, his predecessor, was picked for other broad talents. He was, for instance, one of the country's most notable experts on workmen's compensation.

Larson's interests were not primarily in administrative work. Because of that—and the complex nature of any bureaucratic government department—a Mitchell program for coordinating and integrating the Labor Dept. had never really got off the ground. O'Connell, backed by Mitchell, tackled the job.

• **Discernible Progress**—Six months is not long. Considering the time there has been some discernible progress. As the two men at the top see it, a "line of authority" has been established, and there is somewhat less rivalry between major bureaus now, less inclination to work at tangents on independent projects, perhaps less costly and needless duplication of efforts. But, in the words of the Labor Secretary, much more remains to be done.

Some in the government question whether it ever will. That's because of the setup in government service. Appointive officials come and go with changes of administrations, but the career people who are the heart of bureaus or departments stay on. Proposals of changes roll off them like water off the duck's back.

• **Wariness**—The career people were wary of O'Connell at first, as they are of any newcomer armed with administrative powers. Some of the wariness has now worn off. There's a recognition that O'Connell won't—or doesn't want to—force changes. His method is persuasion, and his goal is "integration of bureau work, but without curtailing initiative and personal enterprise."

This being so, they'll go along with him—to a point. Beyond that, only time will tell.

O'Connell's constant efforts to get an integrated, unified attack on problems, plus routine administrative duties, require a work day that starts at 8:15 and continues until 7 o'clock or later. The first 45 minutes are devoted to a large volume of mail channeled through the Under Secretary's office.

• **Staff Reports**—After the mail, staff conferences and personal contacts with key bureau people begin. Although these are usually just routine—informal

oral reports—many of the staff find O'Connell disconcerting.

The Under Secretary still thinks as an engineer, which means that he feels an insistent urge to get down to basic matters and to explore them from all angles. This doesn't sit well with some aides who are accustomed to reporting in broad terms and without interruptions. They complain, privately, that it indicates that O'Connell "just doesn't understand what we're talking about."

The Under Secretary, however, feels that if he is to have responsibility to Mitchell for what is going on within the department, he must know not only what is being done but also why.

• **Breaks in Routine**—O'Connell's daily routine is subject to many breaks.

When the Ohio Bureau of Unemployment Compensation was considering its ruling against integrated state UC and payments under alternative supplementary unemployment benefits plans, O'Connell was kept posted on every move, from within the department and from Columbus, Ohio. Unemployment compensation ranks high among the Labor Dept.'s interests.

Questions from Congress regarding the long and bitter Kohler Co. strike come to him. So do queries—spurred by letters from constituents to Congressmen—on obscure labor matters "back home." And, because of his background, all matters relating to the building trades are laid on his desk.

• **Outside Contacts**—The Under Secretary is a member of a number of outside boards, commissions, or other federal agencies. He is earning a broader reputation through these, not so much as a member likely to suggest large-scale and advanced projects but as one with a knack for working out programs.

His biggest contributions are where the development and fullest utilization of manpower are under consideration.

• **O'Connell's Prospects**—Will O'Connell move up if and when Mitchell goes? Yes. Unions, mildly favorable toward O'Connell, would hardly object.

However, a Cabinet appointment has important political overtones. While they are cautious, Republican leaders are, at most, only lukewarm toward O'Connell, who so far is little known. The attitude is heightened by GOP resentment against a whole series of non-political appointments made by Mitchell—including that of O'Connell.

At this time, the whole question of where O'Connell may go next is circled about with ifs. More important is where he is now, and what it means.

This much can already be said on that: O'Connell may not become so widely known and often quoted as his predecessor, Larson, but he shows signs of being increasingly important in areas that touch businessmen and unions in day to day, specific ways. **END**



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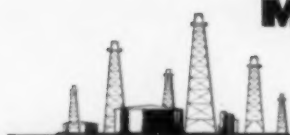
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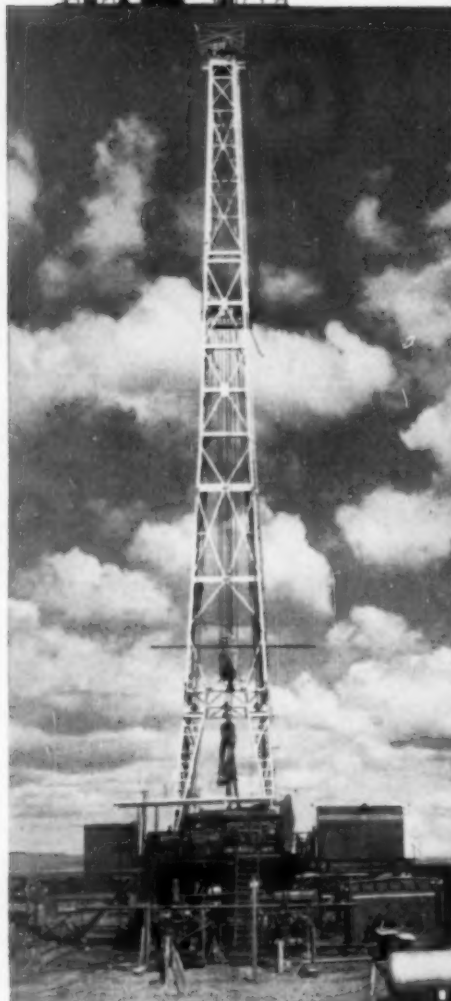
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In Labor

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GM Takes First Shot in Appeal From Ohio Ruling Against SUB Plan

General Motors last week urged the Ohio Bureau of Unemployment Compensation to review its ruling against integrated state jobless pay and checks from alternative Supplementary Unemployment Benefits plans (BW-Jul.20'57,p153).

GM's plea is interpreted as a first step toward a court challenge of the Ohio ruling. If it is, a fight is ahead. **While unions and some other employers favor SUB plans, there is strong employer opposition to any integration of state and private benefits in Ohio.**

The GM plea is based on an Ohio BUC ruling in a case involving a Dayton auto worker. James R. Tichenor, administrator of the state program, said the GM employee must refund part of the state benefits paid him during three weeks of a layoff, because he collected SUBenefits from GM in the fourth week. According to Tichenor, the SUB payment must be considered "remuneration" that also applied against the first three weeks of idleness; this would cut the amount of state jobless pay that was due for those weeks.

Louis G. Seaton, GM vice-president in charge of personnel, disagreed. **In the eyes of the corporation, he advised Tichenor, SUBenefits "are not remuneration" of a type that should be considered to reduce state unemployment compensation.**

The alternate SUB program in question is GM's "cycle plan," put into effect for 36,000 United Auto Workers members in Ohio as a substitute for UAW's basic plan—for same-week UC and SUB payments—barred in Ohio.

The Tichenor decision against various alternative plans has also blocked SUBenefits for an additional 29,000 GM employees under contracts with the International Union of Electrical Workers and United Rubber Workers.

• • •

Bitter Longshore Unions Map Out New Fight on Lakes, New York Piers

Rivalry between the independent International Longshoremen's Assn. and the International Brotherhood of Longshoremen (ALF-CIO) is about to break out into new organizing clashes in Great Lakes ports and on the New York waterfront.

Both ILA and IBL held conventions in Chicago in recent weeks. **This led to speculation that the dock unions were dickering on merger terms. The fact is, nothing like that is in the works. Instead, plans now being worked out will make the two unions more intensely competitive—and angry.**

ILA is now stepping up organizing in Great Lakes ports. Its first goal is IBL's 8,000 dock workers in the area—but its longer-range objective is jurisdiction over the estimated 30,000 who will be working on Great Lakes

docks within five years after the completion of the St. Lawrence Seaway.

Until now, the ILA has been on the defensive. Its decision to take the offensive against IBL in the Midwest led to prompt retaliation by the Brotherhood. **IBL announced that it will make a fourth attempt to oust ILA as bargaining agent on the New York waterfront, with "solid" backing from AFL-CIO and, particularly, the Seafarers' International Union.**

IBL also said that it will team with the SIU to organize Great Lakes stevedores. Pres. Paul Hall of the Seafarers, who also heads the 11-union AFL-CIO Maritime Trades Dept., confirmed this. He said that IBL will be provided with "whatever money is required for an organizing drive—if we have to fight ILA, we'll do it."

Both ILA and IBL showed an interest in mergers that might lead to new power and prestige—but not in an ILA-IBL deal.

ILA delegates authorized officers to negotiate alliances with other unions. Afterward, Capt. William V. Bradley, ILA's president, said that "agreements with the Teamsters and John L. Lewis' United Mine Workers are a possibility."

The IBL convention indicated that the Brotherhood wants to "stand on its own feet," as a separate organization, but it voted officers the authority to negotiate a merger "in case other unions gang up on us." Pres. Larry W. Long of IBL later said that "the Seafarers are our very good friends, and a merger with the SIU is possible."

• • •

Pattern of Wage Increases Set For All Big Rubber Companies

The 15¢-an-hour wage increase that Goodyear Tire & Rubber Co. and the United Rubber Workers agreed to last week (BW-Jul.27'57,p133) has become general in the industry. All major firms have settled.

The union plans to demand the same "pattern" settlement from smaller companies.

The wage boost will raise the annual pay of Akron's 36,000 hourly-paid rubber workers by an estimated \$11.5-million. Some 10,000 salaried employees are expected to receive increases of at least 6%.

• • •

Top Labor Staff Looks Ahead To All-Out Organizing Drive

Despite the "very great problems" that stand in the way of organizing, AFL-CIO plans to press efforts to extend union membership during the next year.

John W. Livingston, the federation's organizing director, told delegates to a recent labor convention:

- **Nationally, there are 42-million "organizable" workers—that is, employees in present union jurisdictions.**

- **Of this number, 16-million are now members of AFL-CIO or independent unions.**

- **This "leaves 26-million yet to go," more than half, or 13-million to 14-million, in the white-collar field and 10-million (including 4-million white-collarites) in Dixie.**

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**PERFORMANCE IS TOPS—
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Donald D. Randall (right), president, and Dale Hyatt, company representative in Texas, Oklahoma and Kansas, board the Fender Sales Apache.

"Our company did a great deal of looking and questioning before purchasing a Piper Apache last January," says Donald D. Randall, president of Fender Sales, Inc., Santa Ana, California. "We can truthfully say that the performance of the airplane far exceeds any expectations we had.

"We owned four single engine airplanes before buying the Apache, and we find that the twin engine airplane has greatly improved our utility. There are many times when it is possible to make a controlled VFR climb-out and progress on top for many miles, which wouldn't be good practice with a single engine. Believe me, the secure feeling one has in being on top for an hour or two is vastly different from what we used to experience. It also

allows more direct routes to our destinations."

Fender Sales, Inc., a wholesale musical instrument distribution firm, serves accounts throughout the United States, Canada, Alaska and Hawaii.

"Our Apache is used in many different ways, calling on dealers and distributors and carrying rush cargo," says Mr. Randall. "Frequently we ferry dealers from Los Angeles International to our own Orange County Airport, a long and arduous trip by car due to the distance and extremely heavy traffic, but a scenic 20-minute trip by Apache.

"We are greatly pleased with the Apache's speed and find it very economical to operate. In sum, we think the Apache's performance is tops—in every category."

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THE MARKETS

Wall St. Talks . . .

. . . about tighter money
. . . drop in Big Board trading
activity . . . earnings reports . . .
portfolio changes.

Money tightens again. The Treasury's short-term (91-day bill) borrowing rate this week bounced up to 3.36% from last week's 3.16% level. That's the highest figure since mid-June when it hit 3.40%, a 24-year peak. The Street's various government, corporate, and municipal bond yield indexes also were close to nudging their mid-June highs. Cause of the new tightening, of course, was the sight of the new short-term 4s offered by the Treasury in a recent re-funding operation (BW-Jul.27'57,p35).

The recent drop in big board trading activity is partly caused by a sharp lessening in foreign demand for American stocks, some Streeters claim.

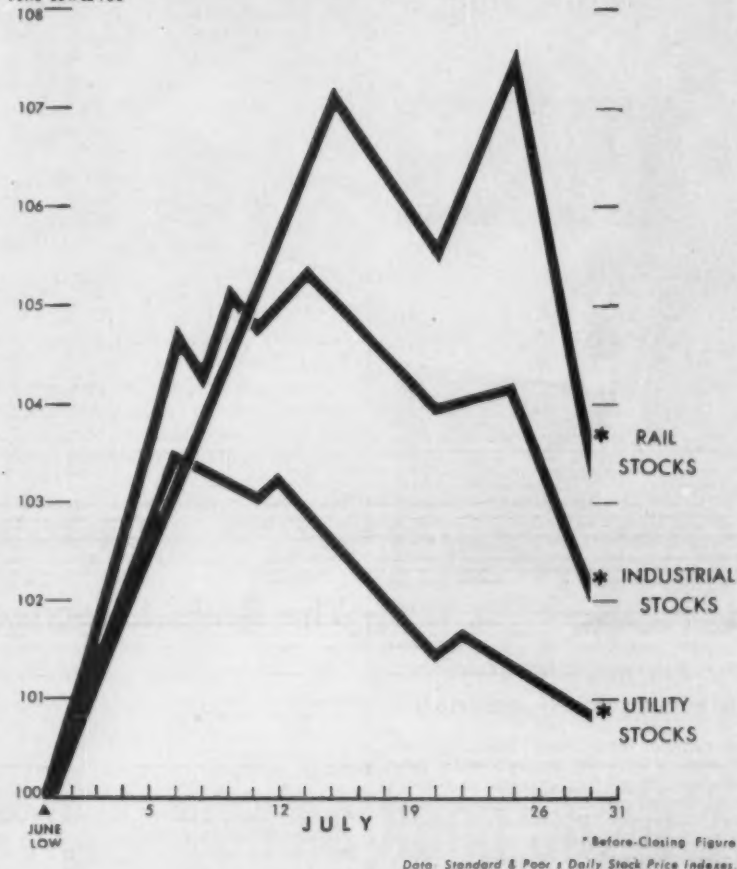
Second-quarter earnings reports, says Moody's, "reveal certain flaws—at least from an investment viewpoint." Reflecting "the effects of cost squeezes and the way . . . growth and inflation require companies to raise new capital funds . . . profit margins in a good many cases" narrowed and there were cases "where increases in capitalization reduced per-share profits despite a rise in net income." Thus, "second-quarter earnings will probably come to about \$10.50 a share (preliminary estimate) of our 125 industrial stocks average," unchanged from the same 1956 quarter "but less than the \$11.15 a share" earned in the 1957 first quarter.

Portfolio changes made by 10 large investment trusts during the second quarter are summed up this way by Arthur Wiesenberger & Co.: "Buying interest was most pronounced among banks, building and construction materials, industrial machinery, oils, papers, and rubbers. Airline and natural gas pipeline selling was pronounced. Rails also were sold" and aircrafts likewise "had few friends among" such pro investors. At midyear, three of the trusts each had 13% of their assets in cash.

Who's right? A prominent New York daily declared this week that orders for fabricated industrial steel were running sharply under 1956 levels. The same day another equally prominent sheet claimed that, because of the heavy construction spree, there "is no sign of softening in the heavy steel market before next year—if then."

The Summer Rally Starts Petering Out

June Low = 100



Has Rally Really Ended?

Most Streeters think so, after sharp setback. But few expect any real price collapse, and a few bulls actually predict a new and successful attack on the August highs.

BIG BOARD TRADING opened this week in gloomy fashion, in the wake of a depressing series of earlier price disappointments.

On Monday, stocks generally took their worst larruping since early in February. Of the 1,168 individual issues traded during the day, only 215 gained, while 764 absorbed losses. And of the winners, only 10 pushed hard enough against the trend to reach new 1957 highs, while 50 of the losers reached new lows for the year.

• **Thin Markets**—The selling pressure wasn't heavy during the day, but there were many "thin" markets, with many

individual shares suffering sharp losses. Some stocks even dived as much as a point between sales. One scorekeeper figured that, when the carnage was ended, over-all paper values on the Big Board had declined more than \$2-billion.

On Tuesday and Wednesday, the market showed some tendency to rally. But, over-all, the price gains achieved were nothing to write home about. Investors and traders showed little enthusiasm for the "bargains" that resulted from Monday's break. On both days, trading volume slipped well below the nearly 2-million shares that changed hands during Monday's selling spree.

• **The Rally**—Bulls and bears are tangled in their everlasting debate, this time over whether recent trading trends indicate that the traditional "summer rally" is over for 1957 (chart, above).

You can find a scattering of congenial bulls who indignantly deny that the rally is over. Their idea is that there



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Now rugged Stran-Steel buildings are clad with a look of luxury. With new Stran-Satin metal wall you get an attractive rib design and a soft pleasing luster. A wall that is strong and durable, assembled with panels that are longer, wider and easier to erect. In combination with other materials—brick, stone, wood or glass—Stran-Satin metal wall gives you limitless variation of exterior decor.

America's newest and finest Rigid Frame buildings can be site-styled, too. They are available in clear-span widths of 32, 40, 50, 60, 70 and 80 ft. and multiples thereof.

Up to \$25,000 is available to finance these buildings through the Stran-Steel Purchase Plan. As little as 25% initial investment, up to 5 years to pay.



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Detroit 29, Michigan, Tecumseh Rd.
Houston 5, Texas, 2444 Times Blvd.
Minneapolis 4, Minn., 708 S. 10th St.
N. Kansas City 16, Mo., 1322 Burlington
San Francisco 3, Calif., 1707 Central Tower Bldg.
Washington 6, D. C., 1200 18th St. N.W.

Stran-Steel Corporation, Dept. 18-2
Detroit 29, Michigan

- ☐ Please send me the Industrial Buildings Catalog.
- ☐ Please have your representative call.

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Title _____

Company _____

Address _____

City _____ Zone _____ State _____

will soon be another attack on last August's high, and this time there will be a decisive penetration, after the five earlier failures (BW-Jul.20'57,p25).

The majority of Streeters—including many who until recently were quite bullish—won't go that far. They seem willing to write off the summer rally, but they by no means expect any real price debacle. And this view is shared by many traders, the people who do the actual buying and selling, if you can judge from the comments that are floating around in brokerage house board rooms.

• **Counselors**—This same moderate view is pretty much shared by the "outside" stock market counselors. Take this sampling:

Standard & Poor's Corp. notes "a greater tendency (of late) to relate trading to current earning power and the near-term outlook, tempering emphasis on the long-run inflation threat that had been a major factor behind the sharp advance from the February low." It also calls attention to the "increased

resistance encountered by blue-chip growth stocks at valuations reminiscent of last August . . ." Thus, while it does believe "that measured optimism is justified . . . [and] . . . long-run inflation prospects call for adequate representation in sound stocks," it also advises (1) "judicious weighing of values in order to avoid over-exploited issues," (2) that "a cautious approach to any new buying is desirable at this level of the market."

Moody's Investors Service thinks (page 121) "second-quarter earnings reports . . . reveal certain flaws—at least from an investment viewpoint." These it says "are not necessarily long-term trends; they may stop or be interrupted at any time. But they do exist." Thus, while it advises "no change in broad investment policies" it suggests (1) that the "bulk of funds should be in strong commons for long-term investment" (2) that "the shorter term market possibilities . . . be closely watched," (3) that "buying . . . be done with extra care."

The Rails' Selective "Summer Rally"

	June Low	Subsequent High	Recent Level	June-July Gain Maximum	Now
Baltimore & Ohio.....	\$47.00	\$58.62	\$56.00	+24.7%	+19.1%
Chicago Gt. Western.....	45.00	42.00	40.75	+20.0	+16.4
Atlantic Coast Line.....	41.75	50.25	47.75	+20.4	+14.4
Central of Georgia.....	45.12	52.25	51.75	+14.8	+13.7
Western Maryland.....	70.75	87.62	80.25	+23.9	+13.4
N. Y., N. H., & Hartford.....	13.25	17.00	15.00	+28.3	+13.2
Minneapolis & St. Louis.....	20.00	24.25	22.62	+21.3	+13.1
Missouri-Kansas-Texas.....	8.75	12.75	9.87	+45.7	+12.9
Minn. St. P. & Ste. Marie.....	17.75	21.50	20.00	+21.1	+12.7
St. Louis-San Francisco.....	19.12	26.62	21.50	+39.2	+12.4
Virginian Ry.....	80.00	94.00	87.75	+17.5	+9.7
Western Pacific.....	55.75	64.37	61.12	+15.5	+9.6
New York Central.....	31.50	36.62	34.50	+16.5	+9.5
Boston & Maine.....	15.00	19.00	16.37	+30.0	+9.2
Atch., Topeka & Santa Fe.....	22.75	27.00	24.75	+18.7	+8.8
Denver & Rio Grande Western.....	43.12	48.25	46.87	+11.9	+8.7
Kansas City Southern.....	64.50	77.75	70.00	+20.5	+8.5
Southern Ry.....	40.37	45.87	43.50	+13.6	+7.7
Great Northern.....	42.50	47.75	45.75	+12.4	+7.6
Chi., R. I. & Pacific.....	33.75	37.75	36.00	+11.9	+6.7
Lehigh Valley.....	14.12	17.25	15.00	+22.1	+6.2
Chicago & North Western.....	29.62	34.75	31.37	+17.3	+5.9
Illinois Central.....	48.00	63.37	50.75	+32.0	+5.7
Pittsburgh & W. Virginia.....	27.00	29.37	28.50	+8.8	+5.6
Southern Pacific.....	42.25	46.87	44.50	+10.9	+5.3
Reading.....	32.50	34.50	34.12	+6.2	+5.0
N. Y., Chicago, St. Louis.....	26.12	29.25	27.37	+12.0	+4.8
Norfolk & Western.....	65.00	70.75	68.00	+8.8	+4.6
Gulf, Mobile & Ohio.....	28.00	32.50	29.25	+16.1	+4.5
Bangor & Aroostook.....	44.00	57.25	46.00	+30.1	+4.5
Chi., Mil., St. P. & Pac.....	18.50	20.37	19.25	+10.1	+4.1
Chesapeake & Ohio.....	61.62	69.87	64.12	+13.4	+4.1
Pennsylvania R. R.....	20.12	22.50	20.87	+11.8	+3.7
Union Pacific.....	28.50	31.75	29.50	+11.4	+3.5
Chicago & Eastern Illinois.....	19.50	23.75	20.12	+18.5	+3.2
Louisville & Nashville.....	77.00	93.75	79.50	+21.8	+3.2
Seaboard Airline.....	32.50	36.00	33.50	+10.8	+3.1
Missouri Pacific.....	38.75	44.25	39.75	+14.2	+2.6
Delaware, Lack. & Western.....	16.00	25.50	16.37	+59.4	+2.3
Delaware & Hudson.....	26.62	28.87	27.25	+8.5	+2.3
Northern Pacific.....	45.25	49.75	46.25	+9.9	+2.2
Erie.....	17.75	20.37	18.12	+14.8	+2.1
Central R. R. of N. J.....	32.00	36.00	32.00	+12.5
Colorado & Southern.....	42.00	50.12	42.00	+19.3
Texas Pacific.....	135.00	160.00	134.00	+18.5	-0.7
St. Louis, Southwestern.....	253.00	270.00	250.00	+6.7	-1.2



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SOUND-LEVEL METER 4:26 P.M. FRIDAY



SOUND-LEVEL METER 9:47 A.M. MONDAY

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LOOK at the meters in the pictures above. See how the needle at the right has dropped. It shows how effectively an Armstrong Acoustical Ceiling reduces disturbing office noise. Result, personnel efficiency goes up. Best of all, Armstrong Ceilings can be installed over a week end, during non-working hours.

Armstrong Ceilings absorb up to 85 per cent of the noise that strikes them. In addition to sound conditioning, the ceilings offer many other advantages.

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PERSONAL BUSINESS

BUSINESS WEEK

AUG. 3, 1957



No doubt you've heard a good deal about "investment clubs" in the past two or three years. The New York Stock Exchange says there are at least 15,000 in the U.S.—and logically you may have decided that they fall pretty much in the "small investor" class.

That's true, generally—but there's more to it than that.

What you may have missed is that some of these clubs exist on a considerably more sophisticated level. In fact, a growing number of them are being organized by men with high income potential and capital—especially younger executives in the 30- to 45-year age bracket who are vitally interested in long-term investment and estate planning.

These groups—like the Grandin Corp. (Cincinnati), The Wranglers (Detroit), The Hoosier Club (Indianapolis), The 1200 Club (Baytown, Tex.), to name a few—look upon their investment clubs partly as a source of profit but just as importantly as a source of education, through a **pooling of investment knowledge**.

To give you an idea, here's a good example from the Midwest:

The club was incorporated four years ago and chartered to take in 25 members. All members serve on the board of directors, which annually elects officers. Each man owns one share of the 25 authorized.

The club has a twofold purpose: (1) **To exchange ideas and information freely**—with the usual "club" concept expanded to include, for example, views on local business and real estate opportunities, and topics related to estate planning that may not be directly concerned with investment. (2) **To indulge in what might be called experimental investment**—for which each member puts only \$25 per month into a pool.

The main interest of members lies in appreciation situations—not in current income. (Any earned income is put back into the pool.) When the group makes what looks like a good investment decision—says the member who serves as professional brokerage adviser—individual members often pursue it on their own.

Meetings are held once a month at a country club. There's dinner, followed by officer reports—then an evening-long program:

Each month the program is handled by a new team of three members. First the team presents a **research-and-report feature** covering some aspect of investment or estate planning. For example, topics in recent months have included: types of convertible securities, outlook for the petroleum industry, new trends in life insurance, and on a somewhat broader plane, the impact of rising population on industry.

Second part of the program is a **review of the club's current portfolio**. The team is expected to have researched the portfolio thoroughly and come up with recommendations as to what securities to buy or sell, if any. **These recommendations are then thrown open for discussion.** Final voting is by secret ballot, so feelings don't get hurt.

To take care of **emergency investment decisions** that come up between monthly meetings, there's an "executive committee" (the officers and one other member) that is empowered to act.

What about results? Generally, they've been good since the club started nearly four years ago. Since then, the value of the portfolio has risen at a rate slightly better than the increase in the Dow-Jones industrial average in that time—up roughly from 300 to 500. This, of course,

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
AUG. 3, 1957

is one club's good fortune—obviously it can't be counted on as standard performance for investment clubs.

Caution: It takes expert advice to organize a club—best bet is to have it done by a lawyer. There are some state and federal (SEC) rules to contend with.

—●—

Potpourri of new books: Here you'll find worthwhile items on government, child guidance, antiques, serious golf—and two just for fun:

- **The Supreme Court** by Bernard Schwartz looks sanely at the tribunal, its workings and history—and makes some of the headlines a good deal clearer (Ronald Press, \$6.50).

- **Teaching the Bright and Gifted** was intended for teachers, but says a lot that should interest parents who are lucky enough to have this problem; by Cutts and Moseley (Prentice-Hall, \$4.25).

- **The Cabinetmakers of America** does full justice to Duncan Phyfe, Samuel McIntyre, John Seymour, and others who crafted America's history in fine furniture. Actually, this amounts to a complete buyers' guide; by E. H. Bjerkoe (Doubleday, \$10).

- **Five Lessons: The Modern Fundamentals of Golf**, by Ben Hogan and H. W. Wind, is an excellent how-to book with some new twists on the game, for serious-minded players (Barnes, \$5).

- **Casebook of the Curious and True** lives up to its title—it's a short story collection, and a good one, based on the weirdest law cases you can imagine; by trial lawyer Francis Busch (Bobbs-Merrill, \$4).

- **On the Beach** is Nevil Shute's latest novel, sure to set your imagination spinning—a la George Orwell (Morrow, \$3.95).

—●—

Rx—for the future: A report on the true relationship between fat in the diet and heart disease will be released later this month by the American Heart Assn.—the conclusion of several years' research.

The latest word on Asiatic flu is that the drug trade is producing a "monovalent" (single-strain) vaccine for civilian use—not the five-strain type, as recently reported—and plans to have supplies moving into doctors' offices starting around Sept. 15. This means the start of a supply by that date—it does not mean a full supply.

You'll go to your private physician if you want this, and get protection by receiving a single shot in the arm (not a series)—provided you make it at least two weeks before exposure.

When symptoms are felt (sudden headache, backache, chills, fever up to 103, and a feeling of extreme weakness), it's too late to bother about vaccine. Then, when you call your doctor, he'll probably prescribe bed, lots of liquid, and aspirin—because there's no known drug cure.

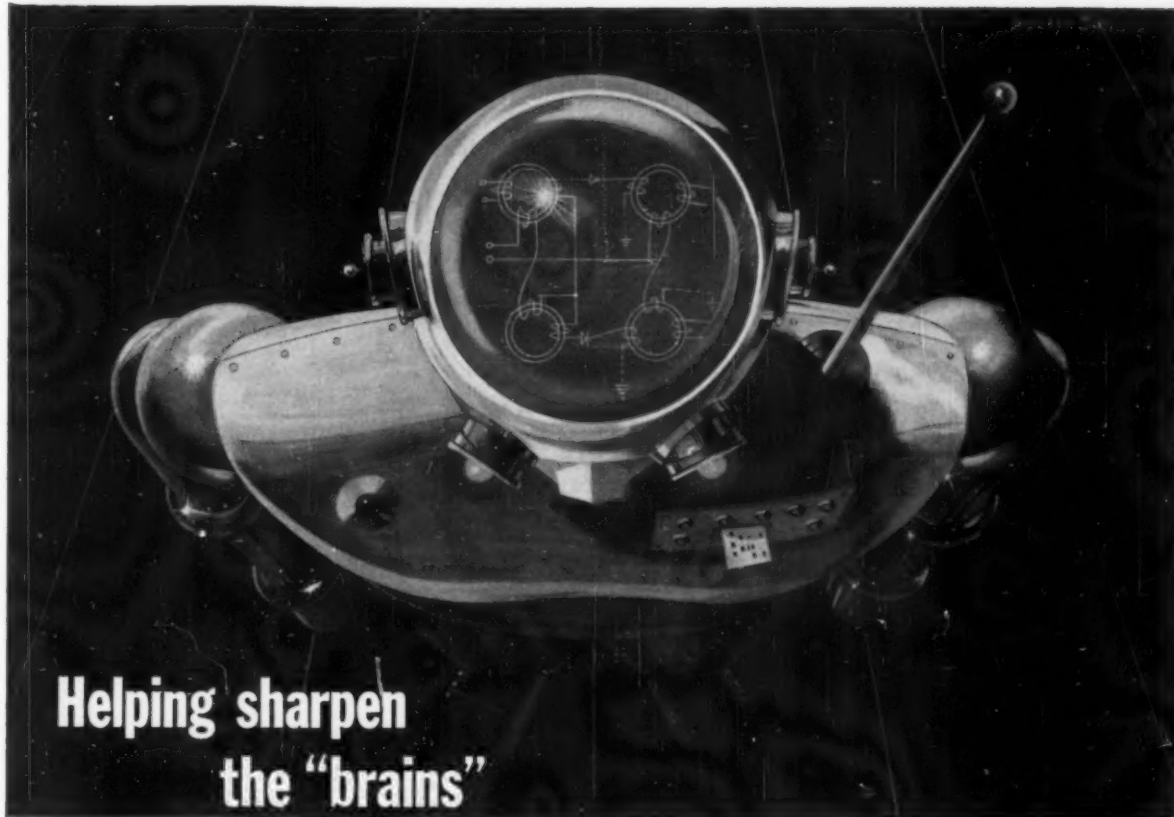
One consolation: The Asian strain is mild—the morbidity rate is high, but the mortality rate is quite low.

—●—

For the home or club tennis court, there is a new type ball-thrower on the market for practice sessions. "Ball Boy" fires 40 balls at 5-second intervals any place on the court; it's safe for children because the mechanism is enclosed (\$250 up). (Write Ball Boy, 551 Fifth Ave., New York.)



POWERGRIP "TIMING" BELTS



Helping sharpen the "brains" of memory machines

The constantly increasing trend towards automation requires memory machines that collect vast amounts of data. The "brains" of these amazing machines are centered in toroids—tiny, doughnut-shaped cores wound tightly with thousands of turns of wire. To wind these fantastically complex toroids with greater speed, accuracy and economy, a leading manufacturer of toroid winders, Boesch Mfg. Co., Danbury, Conn., selected U. S. PowerGrip "Timing"® Belts.

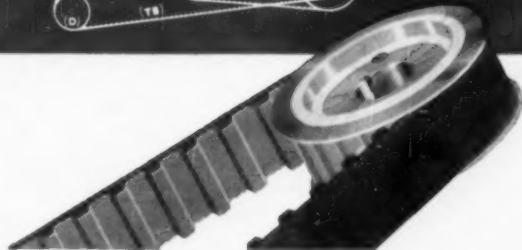
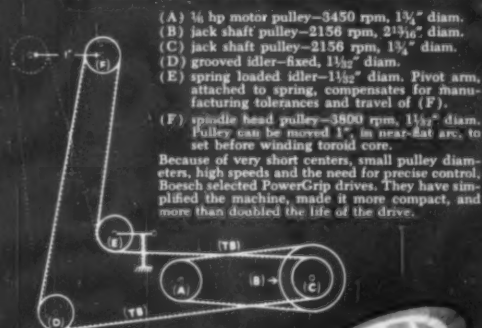
"Our engineers and 'U.S.' engineers," says the chief engineer of Boesch, Inc., "work hand in hand on our wind-up problems involving power transmission. Eventually, all our various winding machines will have PowerGrip drives."

U. S. PowerGrip "Timing" Belts have teeth which fit into grooves in the pulleys. This means positive, non-slip transmission of power, with efficiency close to 100%. PowerGrip needs no maintenance, no lubrication, is far more accurate handling drives from fractional to 1000 hp.

The complete line of PowerGrip drives—plus expert engineering assistance—is obtainable at any of the 28 "U.S." District Sales Offices, selected distributors, or write us at Rockefeller Center, New York 20, N. Y.

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PHOTOGRAPH BY KARSH OF OTTAWA

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234

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DISPUTE between two companies over a method of printing plastics is being settled quickly and privately in this arbitration session.

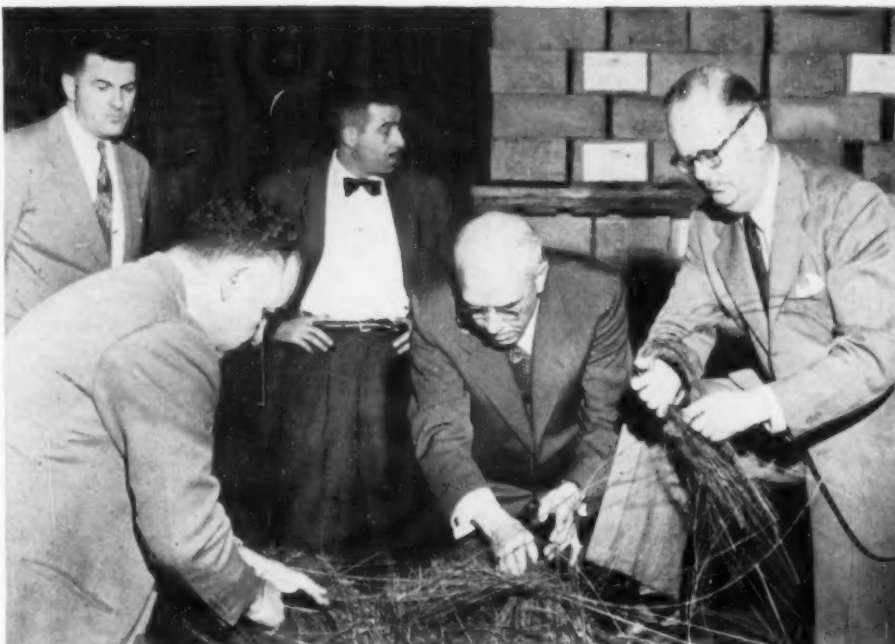
Peacemaking in Business Wars

More and more companies are settling disputes by turning to commercial arbitration. It's cheaper, faster than the courts.

AT FIRST GLANCE, the scene above could be any informal business huddle. The conference room—somber carpeting and drapes, leather chairs, and a massive T-shaped table surrounded by attentive faces—is conventional. But the man making like a bullfighter with a sheet of plastic isn't.

Actually, the conferees represent a synthetics concern and a plastics company settling a squabble by a little-known method called commercial arbitration. Instead of spending the time and money to go to court, they are taking their problems to an arbitration panel composed of fellow businessmen.

The theory, of course, is that a hard-minded businessman, with some old-fashioned horse sense, can hammer out a settlement as equitably as a more formal court, at least in run-of-the-mill litigation. And, in the process, the companies will save time, money, and



FIELD TRIPS to inspect the matters at issue are frequently taken by arbitrators. Here a group examines fibers destined for brooms. A decision usually takes 70 days.



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The tiny parts shown above are just a few of the many precision components made by the Fabricated Metal Goods Division of The American Brass Company for manufacturers of electronic equipment.

Some are so small they can be counted before shipment only by weighing them on a laboratory balance—yet they are manufactured to extremely close tolerances.

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The American Brass Company

"... contracts are increasing in number and complexity, and court calendars are jammed..."

STORY starts on p. 129

publicity. There's only one rub—once an arbitration award is made, a businessman has no recourse to the courts; an award is binding, and appeals are usually rejected.

I. Practitioners

Scenes like that in the pictures are becoming more and more common as industry turns increasingly to commercial arbitration as an unguent. Until recently, the method had been used mostly by only two kinds of industries:

- Those, such as textiles, depending on immediate decisions so that seasonal operations won't be interrupted.
- Those, such as construction and shipping, in which unforeseen events can often interfere with performance of contracts.

Now, however, commercial arbitration is becoming more than ever necessary for many other types of companies. Contracts are increasing in number and complexity, and court calendars are usually jammed to capacity. Scores of concerns turn to arbitration to settle miscellaneous contract violations and other business disagreements—over patents, sales and purchases, customs of the trade, and pricing. Practitioners include some prominent names, such as these now engaged in arbitration:

- Schering Corp. and Hexagon Laboratories, a New Jersey concern.
- Commercial Solvents Corp., a Baltimore chemical maker, and Louisiana Liquid Fertilizer Corp., tiffing over \$1.4-million.
- A department store in midtown New York and the contractor for its new Westchester branch.

In recent months, other parties to commercial arbitration proceedings have been National Container Corp., Merritt-Chapman & Scott Corp., Burlington Industries, Inc., Isbrandtsen Co., and Sun Oil Co.

• **New Converts**—Lately, the insurance and motion picture industries have been flirting with arbitration techniques. Most insurance companies now offer policyholders protection against personal injury inflicted by uninsured motorists. The policies include an arbitration clause for settlement of disputes over the extent of the injury and the legal liability of the insured. Relying on the courts to do so might take years.

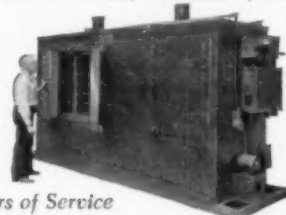
Motion picture exhibitors and distributors resolved all their disputes by arbitration in the late 1940s, while



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+ Skilled Labor	= RHODE ISLAND INDUSTRY'S IDEAL STATE
+ Ideal Plant Sites	
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You advertise in Business Week when you want to influence management men.

Paramount was breaking up its empire under a consent decree. When the decree expired in 1949, arbitration in the industry ceased, too. Ever since, the two trade groups have been bickering continuously over rental fees, tie-in sales, and exclusive showings. Now there's a report that TV competition is forcing the two groups to return to arbitration to dispose of these problems.

• **Precedents**—Of course, businessmen are already familiar with arbitration in many forms.

• Labor arbitration, for example, is a frequent ingredient in the collective bargaining process. Today, 9 out of 10 union agreements provide for arbitration of labor-management disputes.

• The New York Stock Exchange has an official arbitrator to deal with discord on the floor.

• Many trade associations maintain formal arbitrators or arbitrating councils.

• The rubber industry has "spot" arbitrators, available at ports of delivery for imported rubber to check a shipment's quality.

But commercial arbitration on a wide scale is just taking hold. The American Arbitration Assn.—a non-profit organization recognized as the prime authority on the subject—handled 645 commercial disputes (including 27 international cases) last year, an increase of 99 cases over 1955. This year, the figures are running about 15% ahead of 1956. All in all, commercial arbitration cases now total an estimated 2,000 annually, plus many informal proceedings not tallied.

• **Holdouts**—Many big companies, of course, have no intention of resorting to arbitration. They prefer to settle minor scuffles behind locked management doors (with plenty of good cigars within reach), where they can put economic pressures to work in the dickering. And some other companies wouldn't dream of not going to court with every business difference. As a matter of fact, it would be foolish not to take some arguments into the courtroom, where an appeal to higher authority is possible. But in many other cases, an impartial third party can settle a snafu readily.

II. The Way It Works

Arbitration's advantages over the courtroom are three—speed, privacy, and economy. Sessions are private, informal, and elastic, without the legal delays of a court, often irksome, or the publicity of a trial.

"A company can save four-fifths of its time and two-thirds of its cost by choosing arbitration instead of a law suit," one textile industry attorney claims.

• **Expert Decisions**—Besides, a businessman in a company's own field can



for getting
flexible shafts around
tight corners...

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ANGLE ADAPTERS

Where space limitations prevent a direct connection without bending the flexible shaft too sharply, an S. S. WHITE Angle Adapter takes you round the bends with ease!

A wide range of standard adapters is available in 90°...135°...and straight styles for remote control and power drives. They have proved the economical answer to many weight, space and performance problems in aircraft... radios... television sets... tachometer drives... and hundreds of other applications.

S. S. WHITE Angle Adapters embody the highest grade of workmanship, materials and sound engineering design. For further information... or assistance in working out any flexible shaft problem... just write to

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Hospitals, schools, fire protection facilities, even homes, require a constant uninterrupted supply of pure, fresh water. Yet new customers demand water service immediately.

The Mueller "B" Machine—one of a complete line of drilling-tapping machines—drills and taps holes up to 2½" in cast iron, steel or asbestos-cement pipe and inserts a corporation stop. Pressure and flow in main remains constant throughout the installation operations.

They Cannot Fail

Installing new water and gas service lines from mains already in use presented a problem. Service to other customers was interrupted, installations were difficult and dangerous, water and gas escaped while the installation was being made.

**This problem was solved
by Mueller Drilling Machines.**

Without interrupting flow, these versatile machines drill and tap a hole in the main, and insert a control valve to which new service lines are quickly, safely attached.

This is but one of many problems of the water and gas industries solved by Mueller Co.

Manufacturers of service, distribution and fluid control equipment—for water, gas and oil industries.



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decide the merits of a case—instead of a judge who might know little of the technical points involved. "Each industry has its own complexities," says one construction engineer, "and it would take weeks to explain a whole industry. You'd be forever drawing up diagrams to show the judge."

Too, a company can pinpoint the exact areas of conflict it wants settled in arbitration. A judge might rule some of them invalid, or decide the case on narrower ground, but arbitrators must find an answer in each one of the disputed areas.

Arbitration often results in less ill will. When an award is made, the two parties can frequently go ahead with their business association as usual, without any feelings of resentment. "A court's decision is usually one-sided; you win or you lose," says a construction engineer. "But there's usually something to be said for both sides, and in arbitration you get that necessary give-and-take; you don't usually get bumped too hard."

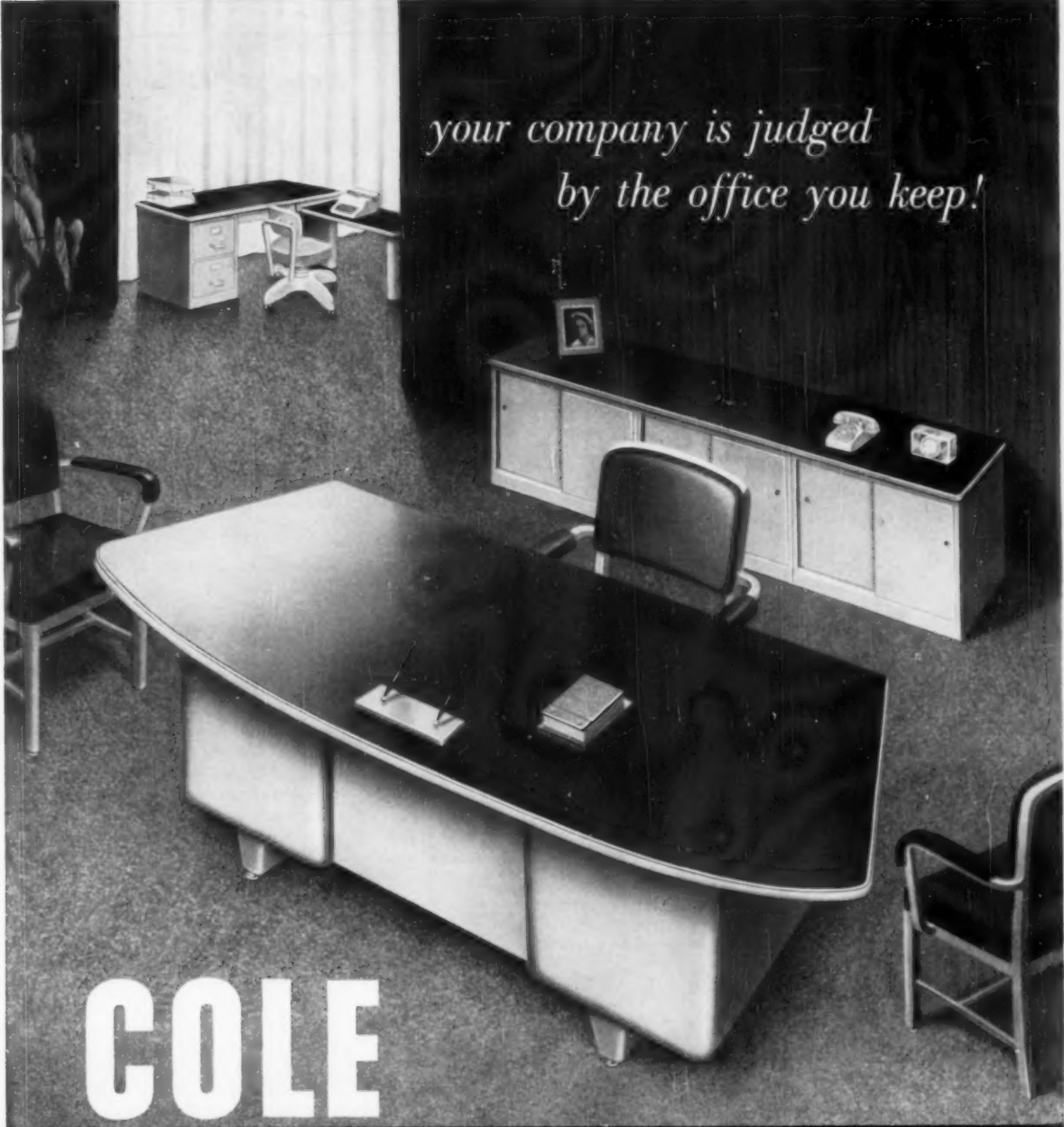
• **Sample Cases**—Some of arbitration's advantages show up most clearly in specific cases.

For example, the man waving his sheet of plastic in the picture on page 129 represents an industrial synthetics company that marketed a machine to imprint plastic sheets. It was sold to a plastics products company on a royalty basis, but it didn't live up to expectations. So the plastics company refused to pay royalties and asked damages.

Under terms of their contract, they brought the argument into arbitration. A panel consisting of an executive of Ebasco Services, Inc., an attorney, and a chemical company president is deciding the merits of the claim.

Another textile man was brought into arbitration by a goods converter who claimed he received below-par merchandise. They got nowhere by fussing and fuming at each other; so, they went into arbitration. Both needed a quick decision. Without it, the converter would be caught short of supplies for the coming fall season, and the textile maker would be without a customer for his materials. Although the case is now only a few weeks old, a decision is due momentarily from the three arbitrators—all textile specialists who understand the intricacies of the industry.

Merritt-Chapman & Scott Corp. and National Container Corp. found arbitration itself a force toward peaceful settlement of their recent dispute. Merritt-Chapman contracted to build a paper mill for National Container in a Southern state. Just before the stipulated delivery date, National Container moved many of its key personnel to the area, arranged for housing, and started setting up operation plans. But the



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KLIXON Protectors Prevent Motor Burnouts, Save Repair Jobs — Says Motor Repair Shop Owner

SYRACUSE, N. Y.: Mr. D. E. Murray, owner of The Murray Electric Company, largest single phase motor repair shop in Syracuse, works with motor repairs every day and knows the important part Klixon Protectors play in preventing motor burnouts. Here's what he says:

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"... the association maintains a 13,000-man master panel of arbitrators ..."

STORY starts on p. 129

mill wasn't finished at the expected date, and before the two companies were through arguing, the dispute came to \$13-million. At that point, an arbitration clause in their contract brought them before AAA.

Then, while hearings were under way, both parties agreed to withdraw and settle privately. The goodwill that permeated the hearings was considered responsible.

The result was similar in the case of Sun Oil Co. and Nereus Shipping Co. Sun Oil, claiming two ships it ordered from Nereus were unseaworthy, asked \$650,000 damages. An arbitration panel set up to hear the case included a maritime engineer, an insurance surveyor, and an attorney. But midway through the proceedings, the argument was resolved in private.

In the dispute between the Isbrandtsen Co. and Gillies Coffee Co., claims and counterclaims totaled \$118,000. Isbrandtsen ferries coffee from South America. When it decided to enter the coffee roasting business as well, it asked Gillies to expand a plant to handle Isbrandtsen's supplies. In order to do so, Gillies had to buy new equipment and set up new lines of operation. Then, Gillies charged, Isbrandtsen backed out of the whole deal. It took 12 hearings and six months for arbitrators to settle the matter: Their decision was that Isbrandtsen should pay Gillies some \$52,000.

• **Rules of the Game**—Arbitration can be either compulsory or voluntary. If a contract includes an arbitration clause, it's obligatory, unless both parties agree to settle elsewhere. Voluntary agreements are just as binding.

Most contract clauses call for arbitration to be handled by a trade association or by the American Arbitration Assn. The association, founded in 1926 by a group of jurists and businessmen—including Charles Evans Hughes and Felix Warburg—dealt mostly with petty breach of contract cases at the outset. Now it's equipped to handle any full-scale commercial case. Its \$500,000 budget comes from business contributions, other than donations, and the fees it charges for services—about 1% to 1.5% of the disputed amount. Slightly more than half of the 500 largest U.S. corporations now lend financial support.

• **The Judges**—The association maintains a 13,000-man master panel of arbitrators, composed of attorneys, accountants, and businessmen, both



11:27:30 DOORS OPEN QUICKLY AT FLOOR LEVEL



11:27:45 DOORS DON'T MOVE UNTIL ALL ARE IN CAR



11:27:49 TRAFFIC SENTINEL® CLOSSES DOORS SAFELY



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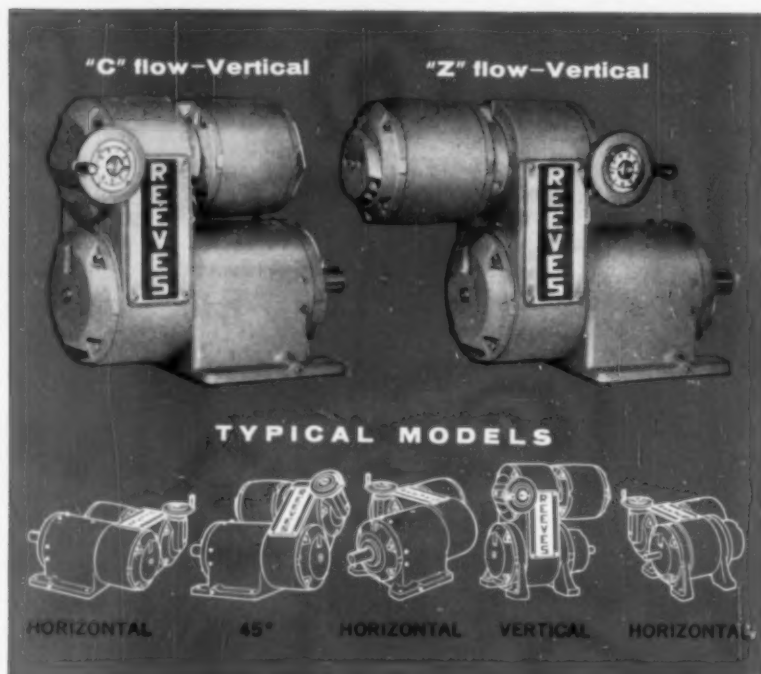
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active and retired. In commercial cases, the panelists serve without a fee. They give many reasons:

- "Most of the association's cases are in the labor field. I'll take a few commercial cases to get a bunch of labor cases." (In labor cases, the fee to arbitrators is about \$100 a day.)

- "I find myself getting more mixed up with arbitration as one of the parties involved. It's time I saw what it was like on the other side of the fence."

Many others become arbitrators from a desire to sit in absolute judgment on another. But most do so because it's a public service.

Some businessmen refuse to sit on AAA boards, some because they're too busy, others—such as architects, appraisers, and testing company executives—because they don't want to give away their expert knowledge free.

These experts will often act as independent arbitrators, charging whatever they think the market will bear. This kind of arbitration has both virtues and vices. The arbitrator may pay no attention to established rules, or he may be dictatorial. One testing company executive admits: "I make my own rules, decide how much time should be spent on a case, and rule out all experts." On the other hand, it's possible to hire independent arbitrators who rank among the top experts.

- **Selecting an Arbiter**—If a company brings the AAA into its problems, the association sends the disputing parties a 21-man list selected from its master panel. Companies delete any names considered undesirable and then grade the remainder numerically. By a point system, the AAA picks out the men—usually three in a commercial case—most acceptable to both sides.

In the hearings, just as in court, attorneys can present cases, and witnesses can be called. If the arbitrators think it's necessary, they can skip a conference to look first-hand at the objects in dispute—say a construction site or some broom fibers in a warehouse (page 129). Any evidence of value—including hearsay—may be presented, even if a law court would bar it.

- **When It's Over**—Within 30 days of the last hearing, the panelists make their award. The average time elapsed between the first call for arbitration and the award is 70 days—versus two to three years for most court decisions.

Final arbitration decisions are as binding as any finding by a court. To upset an award, it's necessary to prove the arbitrators guilty of fraud, bias, or exceeding their authority (such as awarding interest instead of just principal, for example). So far, only 6% of AAA panel awards have been challenged—and only 1% of the challenges have been sustained. **END**



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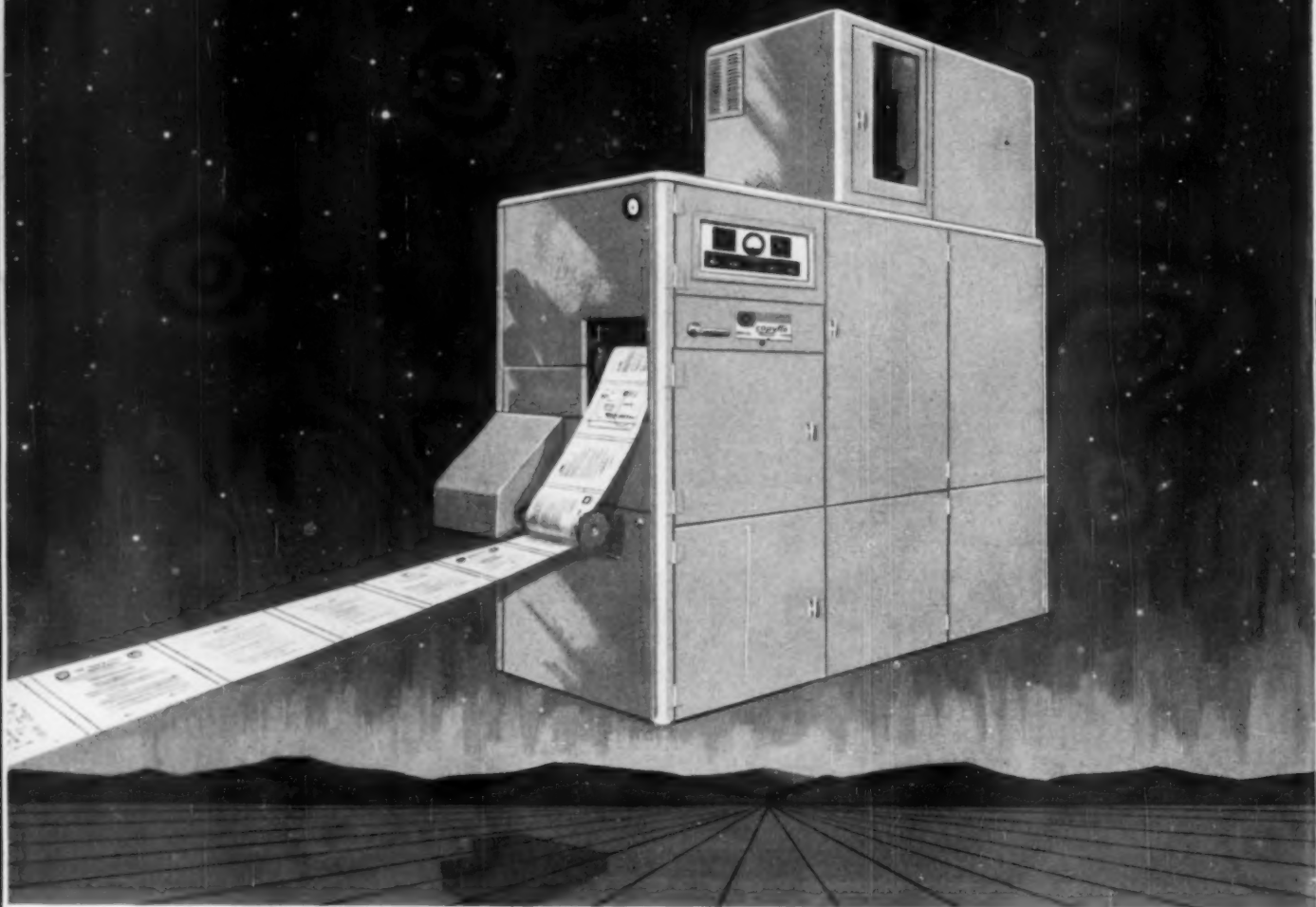
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In Management

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More Companies Turn to Computers For Making Social Security Reports

The use of computers is spreading in the filing of Social Security reports. Following General Electric's lead, four more companies are turning to computers to make their quarterly wage reports to Social Security administrators in Washington.

Instead of bulky typewritten reports, a neat bundle of magnetic tape is mailed in; the tapes fit directly into the agency's own computer (BW—Jan.19'57,p184). This saves hours of clerical work in company typing of reports and in government translation to its computers. International Business Machines, Consolidated Edison of New York, and Consolidated Telegraph & Electric Subway Co. already use the system; Ford Motor Co. expects to join them, and about 30 other companies have expressed interest in converting to a computer reporting system, says Social Security.

• • •

Business Population in 1956 at Peak Despite Mild Decline in Some Trades

Total business population hit a new peak during 1956. At the beginning of 1957, there were 4.3-million concerns in operation, a net gain of more than 54,000 over the previous year. The gain almost matched the 60,000-plus increase during booming 1955, says the Commerce Dept.

Some 327,000 businesses were discontinued, while 381,000 new ones were established.

The increases didn't extend across the board. The number of services industries, retail trade, and others climbed, but manufacturing companies continued a gentle decline that began in 1952. The once blossoming construction industry also took a drop, in the last half of 1956. It fell to 475,000 from 480,000 companies. In the first half of 1957 the failure rate was 30% higher than the 1956 period, says Dun & Bradstreet, Inc.

• • •

Bellanca Corp. Gets a Respite As SEC Recesses Hearings Till Aug. 20

Bellanca Corp. is off the government griddle, but only for a brief three and a half weeks. The Securities & Exchange Commission has recessed till Aug. 20, the Bellanca delistment hearings it began last May.

The SEC wants full disclosure of the crumbled holding company's tangled financial affairs through 1955 and 1956. It has been challenging the truthfulness and completeness of company reports (BW—Jul.20'57,p165), and threatens to unlist Bellanca shares on the American Stock Exchange or suspend them for a year.

Bellanca's lawyers have won time out to consult their directors—including Pres. Sidney Albert, who has been keeping himself incommunicado. The SEC says it has been trying without success to subpoena him for the past two weeks.

• • •

General Dynamics Broods Over Merger With Company That Makes Rocket Fuel

General Dynamics Corp., the all-around defense producer—nuclear energy, atomic submarines, electronics, missiles, and planes, (BW—Jul.27'57,p75)—plans to spread out even further. It's talking merger with Liquid Carbonic Corp., \$35-million-a-year Chicago based producer of carbon dioxide, medical gases, acetylene, and liquid oxygen—an increasingly important rocket fuel.

The deal, via a share for share exchange of stock, would set up Liquid Carbonic as a separate division, and bring total General Dynamics sales to \$1.4-billion.

General Dynamics refuses to comment, but the logic of its move causes outsiders to expect it may eventually copper its bet on missile fuels by moving into solid rocket fuels, too.

• • •

Management Briefs

Facts of life: Bribes paid to foreign officials are tax deductible when their government acquiesces in the payment, says the Internal Revenue Service. Senators are calling for an investigation of "this reprehensible practice."

To capitalize on its new management training device—a "war game" consisting of a computer-operated competitive struggle between groups of companies (BW—May 4'57,p164)—the American Management Assn. is opening a two week course at Saranac Lake on "executive decision making."

Sign of the times: American Seal-Kap Corp. of Delaware, the bottle cap manufacturer that diversified into the hot drink and dairy packaging business, and then into lockwashers and electric rheostats, is now moving into missile controls. This week it announced acquisition of George Rattray & Co., Inc., Richmond Hill (N. Y.) potentiometer producer, and also revealed negotiations to acquire a producer of time-delay relay devices.

The American Cyanamid-Norwich Pharmacal merger—which last week was on (BW—Jul.27'57,p155)—is off because of "insurmountable legal difficulties." The Justice Dept. may have raised antitrust questions, outsiders say.

Sterling Aluminum, Inc., which underwent a mass exodus of top management personnel last April following disclosure of kickbacks to company brass from suppliers (BW—May18'57,p107), has finally totted up the bill. The company figures it got nicked for little over \$1.2-million. Two officers have returned \$221,000 and the company is suing others for \$2.1-million in secret payments plus punitive and exemplary damages.

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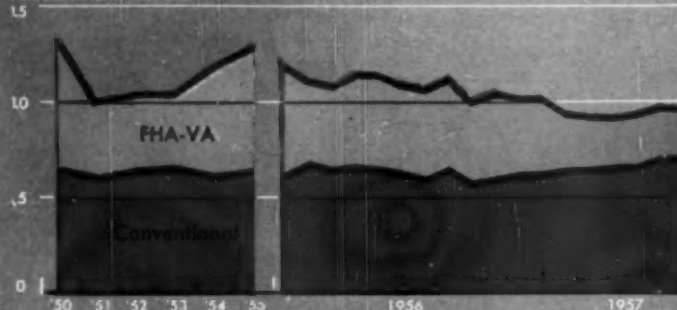
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CHARTS OF THE WEEK

Housing Starts

Annual Rate in Millions



Data: Dept. of Labor; FHA, VA

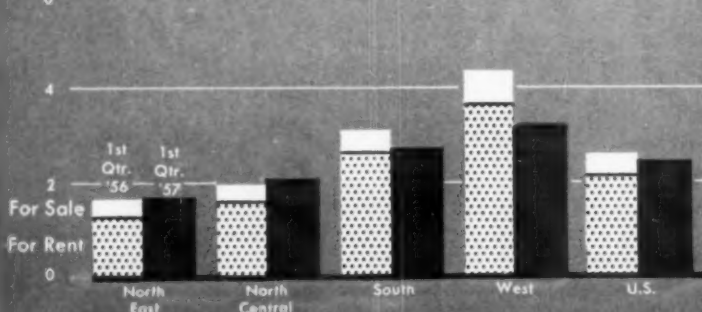
Conventional Financing Gains

Homebuilding financed without government aid has climbed steadily (if slowly) this year. In May, it comprised 72% of all housing starts. While housing starts based on FHA-VA mortgages have fluctuated widely, conventionally financed starts have ranged between 600,000 and 700,000 annually in recent years.

As housing starts based on FHA-VA mortgages declined after 1955, conventional financing has accounted for an increasingly larger share of homebuilding. Since these houses tend to be larger and more expensive, this trend has helped to cushion the decline in the dollar volume of residential construction activity.

Housing Vacancy Rates

Percent



Data: U. S. Bureau of the Census

Closer to Full House

Fewer dwelling units were available for rent or sale during the first quarter this year than in 1956, according to the latest Census Bureau survey. The supply of vacant rental units was down to 2.5% from 2.7% of all housing for

a decline of 15%. Since about 1.1-million houses were built during the period, this meant that the actual number of vacant units had also decreased. Percentage of units for sale remained at 0.5% of all housing. Almost all of



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Position with metal fabricating, or metal processing company. Primary interest lies in production, manufacturing, and cost departments. MBA degree, 1954, Harvard Business School. BS degree, Industrial Engineering, Yale University. Present—Assistant Navy Exchange Officer. To be released December 1957. Married, one child. PW-5539, Business Week.

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the decline in vacancy rates was in the South and West.

The same survey also showed the

median price of dwelling units for sale was \$11,900, a rise of \$1,000; median rent remained the same at \$47.

Housing Additions & Alterations

Millions of Dollars

400

300

200

100

0

'45

'47

'49

'51

'53

'55

1956

1957

Monthly Averages

Data: Bureau of Labor Statistics

Bringing Housing Up to Date

Homeowners have been expanding and modernizing their homes more rapidly than government statisticians had originally estimated.

Revised figures of the Bureau of Labor Statistics place additions and alterations at twice to three times the rate of earlier estimates. BLS recently revised its figures because its earlier

measures had gone askew amidst the post-World War II building boom.

Additions and alterations include such things as the building of new wings and installation of air conditioning (but does not include ordinary repair and maintenance). Such activity now comprises about a quarter of all housing construction.

Crude Oil & Product Imports

Daily Average (Millions of Barrels)

1.6

1.4

1.2

1.0

0

1955

1956

1957

Data: American Petroleum Institute; Bureau of Mines

More Foreign Oil Coming In

Imports of crude oil and refined products are again ruffling feathers in the oil industry. The rate of import shot upward after May, and in late June, it surpassed the 1.7-million bbl.-a-day mark. In early July, the import rate fell off somewhat.

The main reason for the sharp rise has been the drop in tanker rates since

the Suez crisis, permitting importers to land Mideast oil at low prices. Increased imports from Canadian and Venezuelan fields have also been important factors.

More and more domestic companies are going international in search for cheaper foreign oil as exploration and development costs at home continue to mount.

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Exploding the Communist Myth

To serve his own purposes, Nikita Khrushchev, boss of the Soviet Communist party, did a pretty effective job last year of exploding the Stalin myth. Now a Yugoslav by the name of Milovan Djilas, once as fanatical a Communist as Khrushchev but today a prisoner of Tito, has exploded the entire Communist myth, leaving neither a Khrushchev nor Stalin with a leg to stand on. Djilas has done this in a book, *The New Class*, which is being published in this country Aug. 12 by Frederick A. Praeger—from a manuscript smuggled out of Yugoslavia.

The *New Class* undoubtedly is a major political document, perhaps the first postwar book destined to have a notable impact on the East-West struggle. Its publication in Western Europe and Asia, which is to follow its appearance here, is sure to accelerate the disillusionment with Communism that has spread among Communists, fellow-travelers, and neutralists as a result of Khrushchev's de-Stalinization speech and the Hungarian revolt. The influence of the book may be felt even behind the Iron Curtain.

Djilas really sends the Communist myth up in smoke. Seldom, if ever, has there been so penetrating, and so devastating, an analysis of the Communist system. Compared with most ex-Communists, Djilas writes in a dispassionate, almost detached style. But he writes with the special insight of a man who reached the top of the Communist ladder and found that when he wanted to liberalize the system he met intractable resistance from an entrenched Communist bureaucracy.

In the party and government bureaucrats of any Communist state, whether it be the U.S.S.R. or Yugoslavia, Djilas sees a "new class" of owners and exploiters. This class feeds parasitically on the rest of society, especially the workers and peasants, in what amounts to "a latent civil war between the government and the people." National ownership of property is a pure fiction. The Communist political bureaucracy "uses, enjoys, and disposes of nationalized property" as it sees fit. That is something, Djilas rightly observes, that no Western government can do either with nationalized properties or with the funds it collects through taxation.

The one contribution the Communists have made to economically backward nations, such as Russia was in 1917 or China in 1949, is industrialization. "Having achieved industrialization," says Djilas, "the new class can do nothing more than strengthen its brute force and pillage the people."

Djilas maintains that the Communist form of economy is "perhaps the most wasteful economy in the history of human society." He argues that it leaves room for technical progress, but not for truly great scientific discovery; for economic growth, but

not for social progress. And, despite the Communists' exclusive political and economic control, they have not been able to smother spontaneous resistance—"the dissatisfaction of millions with the everyday details of life."

Djilas sees no fundamental changes in Soviet Communism since Stalin's death, though he grants that the new Soviet rulers have gained greater flexibility by relaxing Stalin's "dogmatic severity," and that they are extending property rights to the lower strata of the bureaucracy by decentralizing the economy. But Khrushchev has made no moves toward divesting good Communists of their ownership rights. To do that would be to abolish them as a class—and destroy Communism.

Djilas doesn't mention what appears, at least in the Soviet Union, to be a growing cleavage in "the new class"—between the political bureaucrats and the industrial managers. While these two groups presumably agree that each should keep its special privileges, there are signs that the managers want a bigger and bigger say in running the economy. Perhaps Djilas is hinting at this when he says that the further development of industrialization may soon "make the Communist form of government and ownership superfluous."

Djilas may not live to see that day. In fact, his life seems to hang by a thread in the prison to which his old friend and "comrade," Marshal Tito, has committed him. But Communism's life span may well have been shortened by the courageous effort this onetime Communist has made to expose the fraud and the tyranny of the Communist system.

No Problem

There's always some satisfaction—usually with a strong flavor of rue—in contemplating the once threatening problems that never had to be solved. An example in the news these days is the Social Security reserve fund (page 88).

Back in 1935 when Social Security was set up, the plan called for accumulating a huge reserve that would be invested in government bonds. Economists spilled a tremendous amount of ink pointing out that this couldn't possibly work because the reserve fund would be bigger than the entire government debt.

Even when you know the figures, it makes you blink to look back at them. The reserve fund then was planned to level off at about \$45-billion. The total government debt was in the neighborhood of \$33-billion. For comparison: The reserve fund today is projected to hit something like \$70-billion in 1980, but nobody is worrying about how to invest it. The present government debt is \$275-billion.



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